



FINANCIAL STATEMENTS BULLETIN 2020

S=Bank

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

PEKKA YLIHURULA, CEO

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



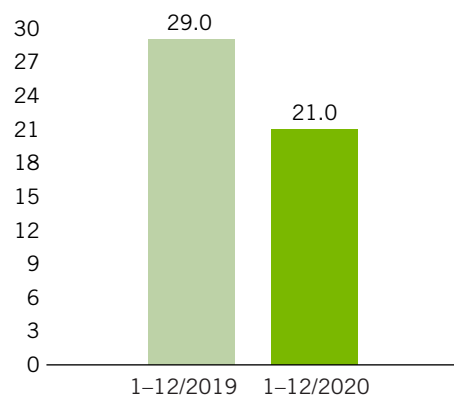
JANUARY–DECEMBER 2020

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

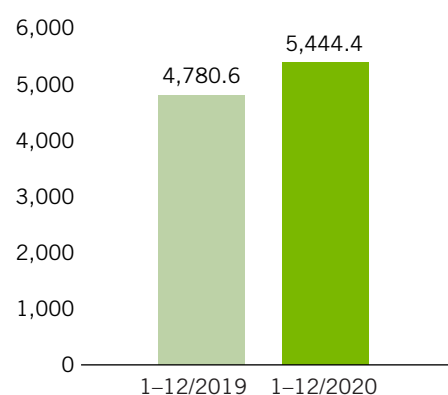
OCTOBER–DECEMBER 2020

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

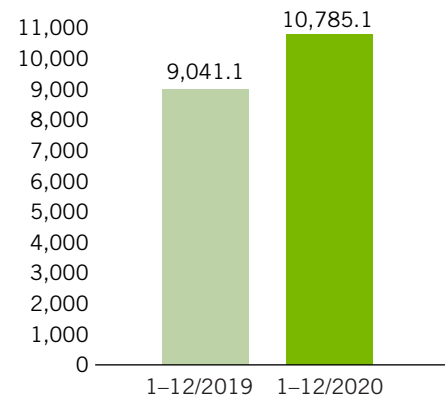
Operating profit (EUR million)



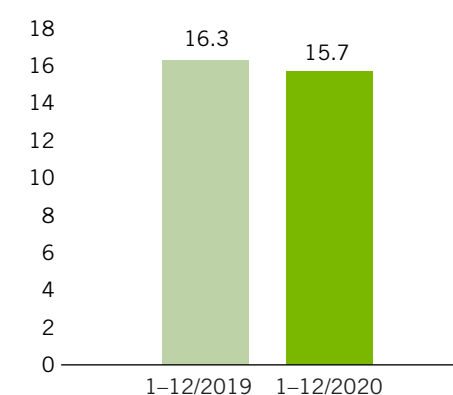
Lending (EUR million)



Assets under management (EUR million)



Capital adequacy ratio (%)



OUTLOOK FOR 2021

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

KEY FIGURES

| (EUR million) | 2020 | 2019 | Change | Q4 2020 | Q4 2019 | Change | (EUR million) | 31.12.2020 | 31.12.2019 | Change |
|-------------------------------|-------|-------|--------|---------|---------|--------|-------------------------------------|------------|------------|--------|
| Net interest income | 89.3 | 86.1 | 3.7% | 21.6 | 22.2 | -3.0% | Liabilities to customers, deposits | 6,925.0 | 5,948.1 | 16.4% |
| Net fee and commission income | 67.0 | 60.3 | 11.2% | 20.8 | 15.9 | 31.0% | Receivables from customers, lending | 5,444.4 | 4,780.6 | 13.9% |
| Total income | 173.9 | 168.1 | 3.4% | 51.2 | 45.1 | 13.5% | Debt securities | 1,228.8 | 1,081.0 | 13.7% |
| Operating profit | 21.0 | 29.0 | -27.4% | 8.3 | 5.9 | 41.6% | Equity | 488.6 | 472.8 | 3.3% |
| Cost-to-income ratio | 0.74 | 0.74 | 0.0 | 0.74 | 0.74 | 0.0 | Expected credit losses (ECL) | 19.6 | 17.1 | 14.4% |
| | | | | | | | Assets under management | 10,785.1 | 9,041.1 | 19.3% |
| | | | | | | | Return on equity | 3.3% | 5.2% | -1.9 |
| | | | | | | | Return on assets | 0.2% | 0.4% | -0.2 |
| | | | | | | | Equity ratio | 6.4% | 7.1% | -0.7 |
| | | | | | | | Capital adequacy ratio | 15.7% | 16.3% | -0.6 |

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

CEO'S REVIEW

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

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

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

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

Throughout the whole year, however, our core business continued to grow robustly despite the coronavirus pandemic.

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

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

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

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

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



PEKKA YLIHURULA
CEO, S-Bank

CONTENTS

| | | | |
|---|-----------|--|-----------|
| CEO's review | 4 | NOTES TO THE FINANCIAL STATEMENTS BULLETIN | 33 |
| Contents | 5 | Note 1: Basic information | 33 |
| OPERATIONS IN THE REVIEW PERIOD | 6 | Note 2: Accounting policies | 33 |
| Key events | 6 | Note 3: Net interest income | 34 |
| Strategy and long-term objectives | 7 | Note 4: Net fee and commission income | 34 |
| Summary of the effects of the coronavirus pandemic on business and the measures taken | 7 | Note 5: Net income from investing activities | 35 |
| Operating environment | 8 | Note 6: Classes of financial assets and liabilities | 36 |
| Financial position | 9 | Note 7: Fair values and carrying amounts of financial assets and liabilities | 39 |
| Result 10–12/2020 | 12 | Note 8: Breakdown of financial assets and liabilities according to maturity | 39 |
| Result and balance sheet 1–12/2020 | 13 | Note 9: Financial assets and liabilities by interest rate fixing | 40 |
| Risks and capital adequacy and their management | 14 | Note 10: Derivatives and hedge accounting | 41 |
| Significant events after the end of the review period | 17 | Note 11: Impairment of receivables | 44 |
| Outlook for 2021 | 20 | Note 12: Collateral given | 50 |
| TABLES OF THE FINANCIAL STATEMENTS BULLETIN 1 JANUARY—31 DECEMBER 2020 | 22 | Note 13: Off-balance sheet commitments | 50 |
| Consolidated income statement | 22 | Note:14 Related parties and corporate transactions | 51 |
| Consolidated comprehensive income statement | 22 | Note 15: Events after the balance sheet date | 51 |
| Consolidated balance sheet | 23 | Financial calendar 2021 | 51 |
| Consolidated statement of changes in equity | 24 | | |
| Consolidated cash flow statement | 26 | | |
| Group's quarterly profit performance | 27 | | |
| Segment report | 30 | | |

OPERATIONS IN THE REVIEW PERIOD

KEY EVENTS

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

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

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

customers of S-Bank's securities brokerage and custody operations were transferred to Nordnet.

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

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

In the spring, Finns voted for S-Bank as the most responsible bank for the eighth time. S-Bank offered its customers the opportunity to apply for a housing loan repayment holiday for up to 12 months, free of charge. Our customers were able to apply for the 12-month repayment holiday for their housing loan until the end of June. Customers were also offered the opportunity to make changes to their card

credit, free of charge. At the end of December, 15 per cent of household customers' loans were on repayment holiday or they had made use of other available changes to their payment schedules.

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

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

In August, the market research company Taloustutkimus and the Markkinointi & Mainonta magazine published a survey

according to which S-Bank has the most respected brand of all financial sector companies operating in Finland. In the same survey carried out a year ago, S-Bank was also the most respected financial sector brand in Finland.

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

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

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

STRATEGY AND LONG-TERM OBJECTIVES

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

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

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

We seek strong and profitable growth by encouraging our three million customers to make more versatile use of our services. Our strategic goal is to achieve one million active customers. The increasing popularity of digital services creates the conditions for strong growth. The service offered to non-consumer

customers, particularly in wealth management, supports S-Bank's growth and profitability.

LONG-TERM FINANCIAL OBJECTIVES:

Growth and capital adequacy

Over 10 per cent annual income growth

Capital adequacy ratio at least 14.3 per cent*

*The limit has been set at 1.5 percentage points above the total capital requirement (12.76% in December 2020)

Targeted profitability level

Cost-to-income ratio below 60 per cent

Return on equity over 8 per cent

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

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

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

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

In addition to the growth in digital banking, the pandemic was reflected in our customers' daily lives in many other ways. For example, travel abroad declined substantially and restaurants were closed in the spring. Restrictions on movement and on other services affected people's day-to-day lives. At the same time, layoffs and redundancies

increased, which quickly affected consumption and card payment volumes. The size of the average card purchase increased in food purchases, but the number of transactions related to other consumption decreased. In some sectors, the number of card transactions plummeted. Although our customers' card use had returned to a level higher than in the previous year by the beginning of June, the pandemic affected commission income for the whole year. Regulations were tightened, too, by imposing a cap on interest rates and a marketing ban on consumer credits.

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

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

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

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

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

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

OPERATING ENVIRONMENT

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

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

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

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

The financial markets also moved quickly. In the spring, equities fell faster than ever in world history, but the upward turn was also very quick. Ultimately, equity market returns ended up clearly on the positive side after declining more than 30 percent at worst. The rise in equity prices was strongly supported by central banks, whose stimulus measures were very strong. This further strengthened a sense that interest rates will remain even longer at zero or below. Low interest rates also

supported the housing market. Housing loan portfolios expanded to record levels, and housing prices continued to rise, especially in growth centres.

FINANCIAL POSITION

RESULT 10–12/2020

S-Bank Group's operating profit for October–December was EUR 8.3 million (5.9) and improved substantially from EUR 6.1 million in the previous quarter. Many of the restrictions related to the coronavirus epidemic were reintroduced in the autumn, but did not have a significant impact on profit performance for the period.

As a result of a transaction with the Fennia insurance company, Fennia Asset Management Ltd and Fennia Properties Ltd have been included in the consolidated figures as of 1 August 2020. This had a positive effect on the profit for the period.

INCOME

Total income grew to EUR 51.2 million (45.1), an increase of 13.5 per cent. Net interest income fell by 3.0 per cent on the previous year, totalling EUR 21.6 million (22.2). A decline in market interest rates in the second half of the year had an impact on performance. Net fee and commission income increased by 31.0 per cent year-on-year to EUR 20.8 million (15.9). The fees of the Wealth Management business, in particular, grew strongly. This was influenced by the positive performance of the equity markets and, as a result of the acquisition, the returns from real estate funds and services. Card payment fees in Finland were

higher than in the previous year, but overall performance was influenced by the low level of foreign travel, for example. Net income from investing activities amounted to EUR 0.4 million (EUR 1.7 million). Other operating income totalled EUR 8.5 million (EUR 5.3 million). In the comparison year, one-off income was distributed more evenly between two quarters.

EXPENSES

Operating expenses totalled EUR 36.3 million (EUR 35.8 million). This represents an increase of 1.3 per cent on the previous year. Personnel expenses were for EUR 13.5 million (EUR 13.0 million) of operating expenses. The increase in personnel expenses was due to the increase in personnel as a result of the acquisition. Other administrative expenses were EUR 17.2 million (16.4). Depreciation and impairment of tangible and intangible assets amounted to EUR 3.8 million (EUR 4.0 million). Other operating expenses totalled EUR 1.8 million (2.4).

EXPECTED AND FINAL CREDIT LOSSES

In the fourth quarter, expected and final credit losses of EUR 7.9 (4.4) million were recognised in the consolidated income statement. Reversals or recovered credit losses amounted to EUR 1.3 million (1.0). Consequently, the total net effect on profit of expected and final credit losses was EUR 6.6 million (EUR 3.4 million).

RESULT AND BALANCE SHEET 1–12/2020

S-Bank's operating profit was EUR 21.0 million (29.0), a decrease of 27.4 per cent on the previous year. The profit for the financial period after taxes was EUR 15.7 million (23.8). Return on equity decreased to 3.3 per cent (5.2).

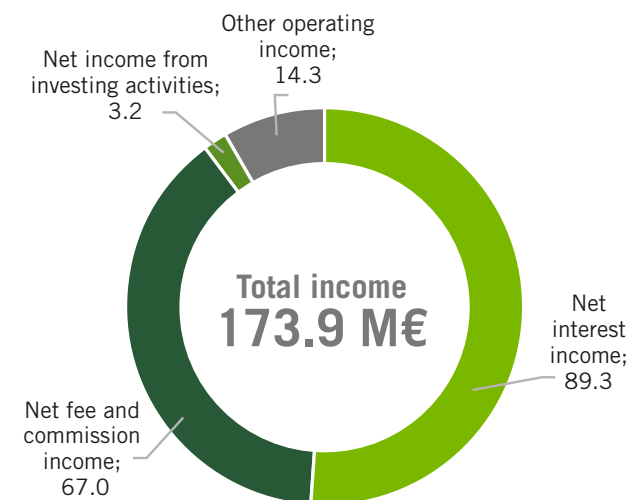
INCOME

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

Net interest income grew by 3.7 per cent, totalling EUR 89.3 million (86.1). The net interest income increased mainly due to strong growth in the volume of secured loans. During the coronavirus period, the relative increase in net interest income was slowed

by declining interest income from investing activities and also by increasing interest expenses from hedging derivatives and lower demand for, and use of, consumer credit. Net fee and commission income increased by 11.2 per cent to EUR 67.0 million (60.3).

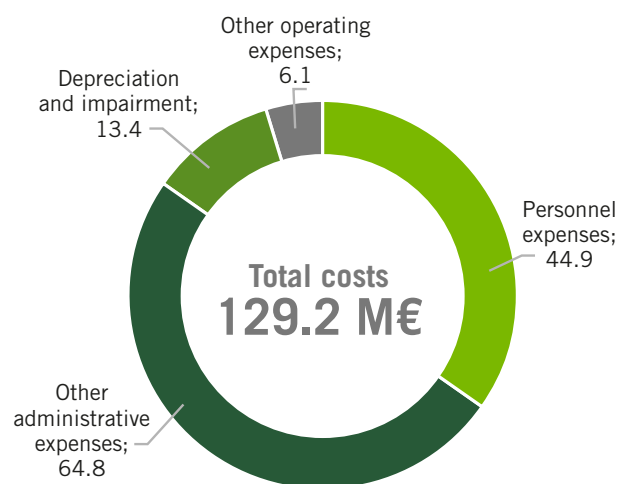
The coronavirus crisis caused slower growth in net fee and commission income from card payments throughout the review period. In the Wealth Management business, this was reflected in net subscriptions, but the corporate acquisition that was concluded in the summer and favourable market performance at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



EXPENSES

Operating expenses totalled EUR 129.2 million (EUR 125.1 million) during the period under review. This represents an increase of 3.2 per cent on the previous year. Personnel expenses accounted for EUR 44.9 million (EUR 45.7 million) of operating expenses. The company had already invested in business development under plans made before the coronavirus pandemic. This was reflected in an increase in other administrative expenses and depreciation. Other administrative expenses were EUR 64.8 million

(61.9). The increase in other administrative expenses was due to an increase in IT and development expenses and agency fees related to our network of sites. Depreciation and impairment of tangible and intangible assets amounted to EUR 13.4 million (EUR 12.8 million). The Group's other operating expenses totalled EUR 6.1 million (4.8). Their growth was influenced by the corporate acquisition and increases in government fees, for example.



EXPECTED AND FINAL CREDIT LOSSES

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

DEPOSITS

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

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

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

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

LENDING

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

During the past 12 months, the credit portfolio grew by 13.9 per cent. Credit to household customers amounted to EUR 4 483.1

million (annual growth 13.5 per cent), whereas credit to corporate customers totalled EUR 961.2 million (annual growth 15.9 per cent). As in the previous year, the growth of the housing loan portfolio exceeded that of the market and was by 16.6 per cent.

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

INVESTING ACTIVITIES

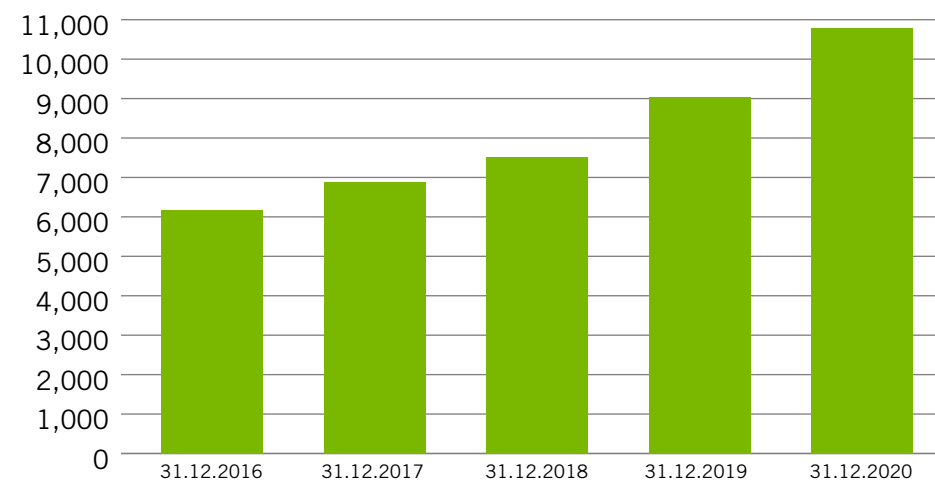
At the end of the period, the bank's debt securities totalled EUR 1 228.8 million compared with EUR 1 081.0 million at the end of 2019. The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 78 per cent (80).

EQUITY

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

ASSETS UNDER MANAGEMENT

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

Assets under management (EUR million)

BUSINESS OPERATIONS AND RESULT BY SEGMENT

The S-Bank Group's segments are Banking and Wealth Management. Operations that do not fall under these business segments are reported under Other operations. The reporting of business segments is identical to the internal reporting provided to the company management.

BANKING

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

Operating profit decreased to EUR 35.3 million (42.3) in January–December. Total income increased by 3.9 per cent to EUR 148.9 million (143.3). Expenses increased by 3.4 per cent to EUR 89.9 million (87.0).

The profit is mainly the result of an increase in credit losses and expected credit losses to EUR 23.6 million (14.0).

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

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

coronavirus, the use of cards in euros increased by 3.4 per cent on the previous year in January–December.

WEALTH MANAGEMENT

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

The pandemic caused by the new coronavirus had a strong impact on the equity market in the first half of the year, but in the second half the market recovered and ended up positive. The transaction with Fennia had a marked effect on business performance. The operating result rose to EUR 2.0 million (0.7).

Total income increased by 19.2 per cent to EUR 28.9 million (24.2). Expenses increased by 14.3 per cent to EUR 26.9 million (23.6).

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

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

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

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

CALCULATION OF KEY PERFORMANCE INDICATORS

Total income:

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

Net interest income:

Interest income – interest expenses

Net fee and commission income:

Fee and commission income – fee and commission expenses

Other income:

Net income from investing activities + Other operating income

Cost-to-income ratio:

Personnel expenses + Other administrative expenses + Depreciation and impairment +
Other operating expenses (excl. impairment losses)

Net interest income + Net fee and commission income + Net investment income +
Dividends + Other operating income + Share of the profits of associated companies (net)

Return on equity (ROE), %:

Profit (loss) for the period
Average equity x 100

Return on assets (ROA), %:

Profit (loss) for the period
Balance sheet total, average x 100

Equity ratio, %:

Total equity
Balance sheet total x 100

Capital adequacy ratio, %:

Total capital
Total minimum capital requirement x 8%

Tier 1 capital adequacy ratio, %:

Tier 1 capital, total
Total minimum capital requirement x 8%

Leverage ratio, %:

Tier 1 capital, total
Balance sheet and off-balance sheet exposures x 100

RISKS AND CAPITAL ADEQUACY AND THEIR MANAGEMENT

S-BANK GROUP'S RISK POSITION

The most significant risks that can potentially affect profitability, capital adequacy and liquidity are related to business volumes, lending and borrowing margins, general interest rates, economic performance, unfavourable development in credit losses and the cost-efficiency of business operations.

The coronavirus pandemic that broke out in March affected the general economic situation, the banking sector as a whole, and S-Bank and its customers. The authorities announced a number of measures during the financial period aimed at facilitating the ability of credit institutions to finance companies and households and to mitigate the negative economic impact of the pandemic. In the spring, S-Bank offered its customers the opportunity to apply for a free-of charge repayment holiday, which resulted in a record number of repayment holidays and other changes to payment schedules. Rapid changes in the macroeconomic environment caused uncertainty regarding the modelling of expected credit losses. The increase in expected credit losses in 2020 was due to the increase in the loan portfolio and changes in macro- and management factors. The amount

of realised credit losses also increased compared with the previous year. Due to economic uncertainty, the decline in valuation caused by the widening of spread risks reduced the fair value reserve during the first half of the year, but by the end of the year, valuations returned to the levels existing prior to the coronavirus pandemic. S-Bank's capital adequacy, liquidity and financing position have remained on a steady footing despite the pandemic, and the measures taken to ensure S-Bank's operational continuity have been appropriate and sufficient. Although uncertainty regarding the economic outlook remains high so far, positive news regarding coronavirus vaccines suggests a cautious positive outlook for 2021.

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

S-BANK GROUP'S KEY RISK INDICATORS

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

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

CREDIT RISK

Credit risk constitutes 90 per cent (2.7) of S-Bank's total risk (REA=Risk Exposure Amount). The standardised approach is used for calculating the Pillar 1 capital requirement for credit risk. The most substantial items requiring capital include secured by mortgages on immovable property, retail exposures and corporate exposures. In the review period, the housing loans of household customers continued to grow particularly strongly during the review period. There were no major shifts in the credit portfolio distribution between different credit types during the review period.

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

Indicators of non-performing loans increased during the review period but remained at a

low level, nevertheless. The gross carrying amount of non-performing loans totalled EUR 32.4 million (28.4) at the end of the review period. Due to the increase in the loan portfolio, the NPL ratio of non-performing loans to loans and advances (excluding central bank cash and demand deposits) remained at a low level of 0.6% (0.6) despite the increase in non-performing receivables. All non-performing loans are household customers' exposures. S-Bank has followed the general trend in the financial sector by granting repayment holidays in connection with the coronavirus crisis. Some of the relief applications meet the criteria for forbearance, which is reflected in the growth of forbore exposures. Gross forbore exposures totalled EUR 65.7 million (31.4) at the end of the review period. At the end of 2020, 84 per cent (83) of total on-balance-sheet forbore exposures were performing. The carrying amount of gross performing forbore exposures in relation to loans and advances (excluding central bank cash and demand deposits) rose to 1.0 per cent (0.5 per cent). The corresponding ratio of non-performing forbore exposures increased to 0.2 per cent (0.1 per cent). All forbore exposures are related to household customers.

The accounting of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, forward-looking information and the macroeconomic situation are taken into

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

S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by active risk management and monitoring measures.

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 busi-

ness and the investments and funding of the Treasury unit. Market risks are assessed from the perspective of the current value and interest income risk of the banking book and the spread risk. The current value risk (economical value, EV) of instruments measured at fair value (+100 basis points) was EUR -9.3 million (-12.8). The interest income risk (-100 basis points) of all interest bearing instruments in the balance sheet was EUR -11.6 million (-14.3) and the spread risk was EUR -6.1 million (-11.0) at the end of the review period. S-Bank is not significantly exposed to other market risks, such as equity, currency or real estate risks.

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

OPERATIONAL RISK

Operational risk accounts for 10 per cent of S-Bank's total REA. The basic indicator approach (Pillar 1) is used for calculating the capital requirement for the operational risk. Losses attributable to operational risks realised in the review period were low in comparison to the regulatory capital requirement for operational risk. S-Bank's operational risk profile is materially impacted by system failures and disruptions, fraud and possible deficiencies in services procured from external service providers.

OWN FUNDS AND CAPITAL ADEQUACY

S-Bank's capital adequacy ratio remained stable, exceeding the regulatory requirements and the internal minimum target level. The total capital adequacy ratio was 15.7 per cent (16.3) at the end of the review period. S-Bank's total RWAs increased by EUR 134.9 million, mainly due to growth in lending to household customers. S-Bank is adequately capitalised to ensure the continuity of its operations even under the results of stress test analyses.

The capital buffer in relation to the total regulatory capital requirement (12.76 per cent) was EUR 88.7 million.

LIQUIDITY RISK

S-Bank's liquidity position was stable and robust during the review period. The liquidity coverage ratio (LCR) was 147 per cent (142). Of the liquidity buffer, very high-quality level 1 assets amounted to 86 per cent (85) and

level 2 assets to 14 per cent (15). S-Bank's liquidity buffer consists of unencumbered, high-quality liquid assets. The table S-Bank's Liquidity Portfolio illustrates the distribution of the buffer or S-Bank's liquidity portfolio by product.

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

The net stable funding ratio (NSFR), which describes the sufficiency of stable funding, was at a robust level at the end of the review period at 151 per cent (145). The NSFR requirement of the Capital Requirements Regulation is 100 per cent and it will enter into force in June 2021.

S-BANK'S LIQUIDITY PORTFOLIO

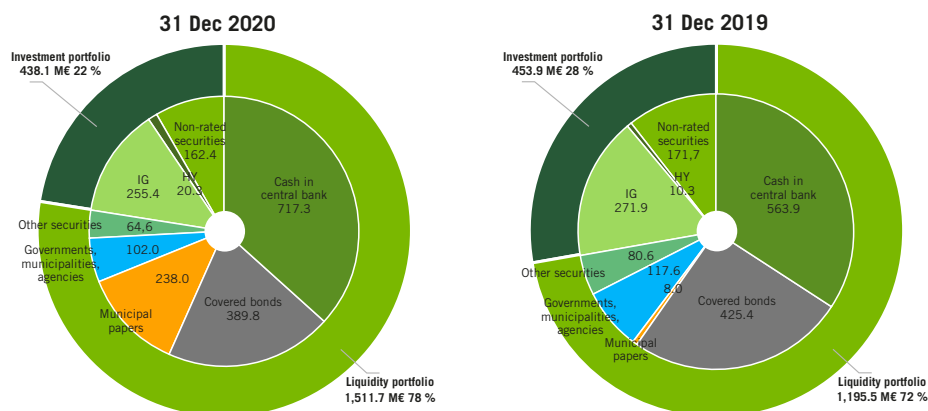
| Liquidity portfolio (EUR million) | 31 Dec 2020 | | 31 Dec 2019 | |
|---|----------------|----------------|----------------|----------------|
| | Market value | Buffer value | Market value | Buffer value |
| Central bank deposit | 717.3 | 717.3 | 563.9 | 563.9 |
| Government, municipal and other public sector bonds | 102.0 | 102.0 | 117.6 | 117.6 |
| Covered bonds | 389.8 | 347.0 | 425.4 | 378.8 |
| Municipal papers | 238.0 | 238.0 | 8.0 | 8.0 |
| Other | 64.6 | 32.3 | 80.6 | 40.3 |
| Total | 1,511.7 | 1,436.6 | 1,195.5 | 1,108.6 |

LEVERAGE RATIO

S-Bank's leverage ratio (LR) of 5.8 per cent (6.2) was strong and exceeded the regulatory and internal minimum. The leverage ratio requirement of 3 per cent in accordance with the Capital Requirements Regulation will enter into force in June 2021. S-Bank has made use of the Financial Supervisory

Authority's decision to temporarily exclude certain central bank receivables from the total leverage ratio exposure as a result of the pandemic caused by the coronavirus. This decision will expire on 27 June 2021. The figure for the comparison period does not take into account the above-mentioned decision.

BREAKDOWN OF TREASURY PORTFOLIO BY INSTRUMENT



OWN FUNDS REQUIREMENTS

On 30 January 2018, the Finnish Financial Supervisory Authority (FSA) set a discretionary Pillar 2 additional capital requirement (Supervisory Review and Evaluation Process, SREP) for S-Bank, based on interest rate risk in the banking book and the concentration of credit risk. The total requirement amounts to 2.25 per cent and became effective on 30 September 2018. The additional capital requirement was set on the basis that the risks in question had not been accounted for in the regulatory capital requirement (Pillar 1). The discretionary additional capital

requirement is valid until further notice with expiry on 30 September 2021 at the latest. The requirement must be met with CET1 capital.

The table below sets forth the distribution of the Pillar 1 total capital requirement at S-Bank on 31 December 2020. The Finnish Financial Supervisory Authority decided on 6 April 2020 to remove the set systemic risk buffer for credit institutions covered with CET1 capital. The requirement for S-Bank was one per cent.

S-BANK'S TOTAL CAPITAL REQUIREMENT ON 31 DEC 2020 (PILLAR 1)

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

SOLVENCY POSITION AND OTHER MATERIAL INFORMATION

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

financial year the fair value reserve returned to the level preceding the pandemic.

Tier 2 capital consists of three debentures with a total nominal value of EUR 59.5 million (50.0) and a maturity of over five years. During the last quarter of the year, S-Bank repaid a debenture totalling EUR 16 million before the maturity date in accordance with the debenture's terms and conditions. In connection with the repayment, S-Bank replaced the repayable debenture with a new Tier 2 debenture, as referred to in Article 63 of the EU Capital Requirements Regulation, which has a nominal value of EUR 25.5 million.

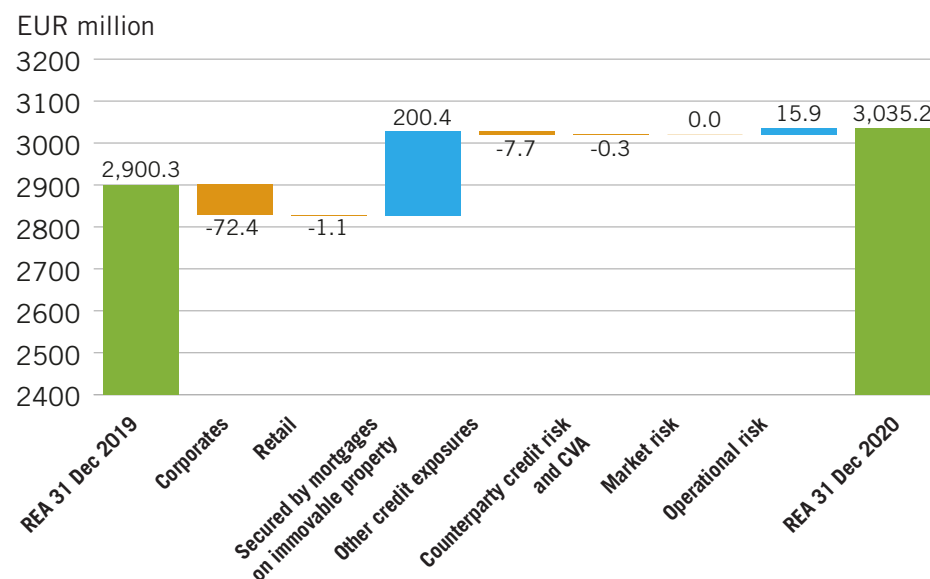
SUMMARY OF CAPITAL ADEQUACY INFORMATION

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

The figure below illustrates the change in the total risk-weighted exposure amount (risk exposure amount, REA) and the material individual risk-weighted assets (RWAs) during

the financial period. Total risk increased by EUR 134.9 million, mainly due to the increase in exposures secured by immovable property in accordance with strategy.

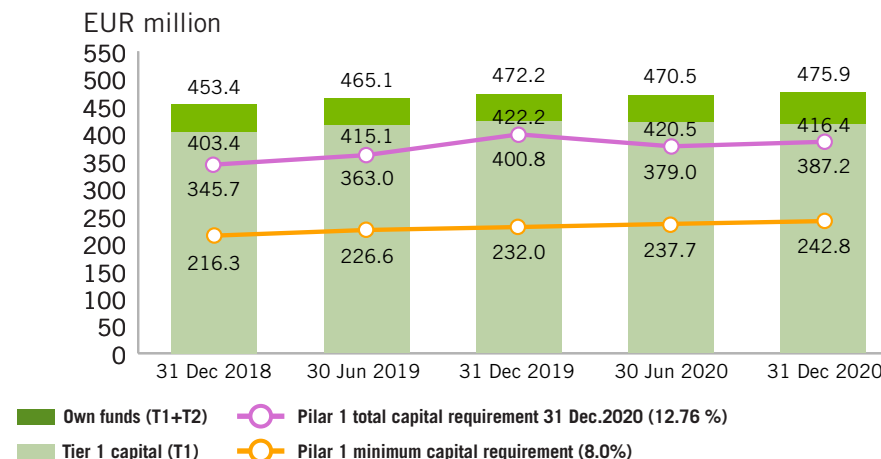
SPLIT OF CHANGES IN RISK EXPOSURE AMOUNT AND RISK-WEIGHTED ASSETS



The figure Changes in own funds and the capital adequacy position summarises the semi-annual development of both the Pillar 1 minimum capital requirement and total capital requirement, and of own funds. The discretionary Pillar 2 (SREP) capital requirement raised the total capital requirement in the second half of 2018. The effects of the entry into force of the systemic risk buffer

(1 per cent) in the second half of 2019 and the removal of this buffer in the first half of 2020 can also be seen. At the end of the reporting period, the capital buffer was EUR 233.1 million in relation to the Pillar 1 minimum capital requirement and EUR 88.7 million in relation to the Pillar 1 total capital requirement.

CHANGES IN OWN FUNDS AND THE CAPITAL ADEQUACY POSITION



MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Financial Stability Authority is the Finnish crisis resolution authority. It is responsible for planning crisis resolution for credit institutions and investment firms. The Financial Stability Authority has decided to issue a Minimum Requirement for own funds and Eligible Liabilities (MREL) to be applied on the level of the S-Bank Group. The Financial Stability Authority revised its decision on S-Bank's MREL requirement on 21 April 2020. Under the revised decision, the requirement must be met on a gradual basis, so that an 8.7 per cent requirement must be met as of 30 June 2021 and the full 9.9 per cent requirement as of 30 June 2022. This revised decision is valid until the Financial Stability Authority sets a new MREL requirement, estimated to take place in Q1 or Q2 2021. The decision under the new MREL policy will enter into force on 1 January 2022

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

REPORTING OF RISK AND CAPITAL ADEQUACY INFORMATION

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

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

SIGNIFICANT EVENTS AFTER THE END OF THE REVIEW PERIOD

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

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

OUTLOOK FOR 2021

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

Overall, economic growth is expected to be rather strong in 2021. Growth will be boosted by the re-opening of activities and the stimulating impact of the release of savings accumulated during the coronavirus period and the stimulus measures taken by governments. However, growth is subject to uncertainties due to the speed at which society will be re-opened and the long-term economic effects

of the pandemic. The national economy will eventually face a major balancing when the massive support measures are scaled back.

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

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

OTHER INFORMATION

ANNUAL GENERAL MEETING

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

BOARD OF DIRECTORS

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

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

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

On 16 October 2020, S-Bank's shareholders unanimously decided to elect Matti Kiviniemi, Chief Corporate Finance Officer of the LocalTapiola Group as the Vice Chair to replace Jari Eklund, who had resigned.

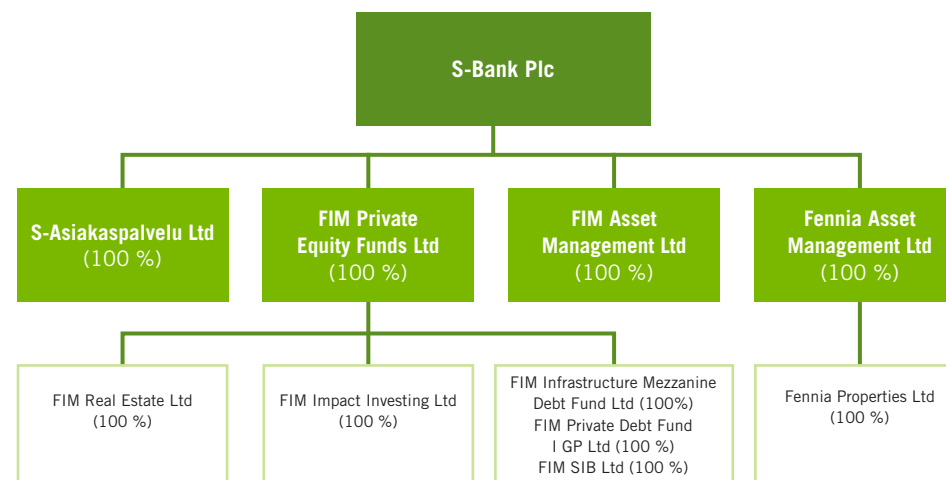
CEO

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

PERSONNEL

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

CORPORATE STRUCTURE



FENNIA ASSET MANAGEMENT LTD

Fennia Asset Management Ltd manages alternative investment funds and offers wealth management services to companies, entrepreneurs, institutions and private individuals.

FENNIA PROPERTIES LTD

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

wholly owned subsidiary of Fennia Asset Management Ltd.

In other respects, the corporate structure and the Group companies have been described in greater detail in the previous financial statements.

TABLES OF THE FINANCIAL STATEMENTS

BULLETIN 1 JANUARY—31 DECEMBER 2020

CONSOLIDATED INCOME STATEMENT

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

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

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

CONSOLIDATED BALANCE SHEET

| (EUR '000) | Note | 31 Dec 2020 | 31 Dec 2019 | (EUR '000) | Note | 31 Dec 2020 | 31 Dec 2019 |
|---|----------------|------------------|------------------|--------------------------------------|------------|------------------|------------------|
| Assets | | | | Liabilities | | | |
| Cash and cash equivalents | 6, 7, 8, 9 | 775,734 | 603,893 | Liabilities to credit institutions | 6, 7, 8, 9 | 0 | 0 |
| Debt securities eligible for refinancing with central banks | 6, 7, 8, 9 | 721,541 | 787,214 | Liabilities to customers | 6, 7, 8, 9 | 6,976,500 | 6,000,826 |
| Receivables from credit institutions | 6, 7, 8, 9 | 33,863 | 33,721 | Subordinated debts | 6, 7, 8, 9 | 59,500 | 50,000 |
| Receivables from customers | 6, 7, 8, 9 | 5,444,362 | 4,780,583 | Derivatives | 6, 7, 8, 9 | 16,157 | 17,062 |
| Debt securities | 6, 7, 8, 9, 10 | 507,288 | 293,809 | Provisions | | 397 | 302 |
| Derivatives | 6, 7, 8, 9 | 0 | 400 | Tax liabilities* | | 6,345 | 6,334 |
| Shares and interests | 6, 7 | 28,126 | 27,620 | Accrued expenses | | 30,547 | 30,320 |
| Holdings in associated companies | | 2 | 8 | Other liabilities | | 47,260 | 36,304 |
| Intangible assets | | 70,995 | 50,128 | Total liabilities | | 7,136,707 | 6,141,149 |
| Tangible assets | | 10,720 | 4,696 | Equity | | | |
| Tax assets | | 1,597 | 2,348 | Share capital | | 82,880 | 82,880 |
| Prepayments and accrued income | | 25,060 | 25,138 | Reserves | | 283,366 | 283,037 |
| Other assets | | 6,064 | 4,429 | Retained earnings* | | 122,397 | 106,921 |
| Total assets | | 7,625,351 | 6,613,987 | Parent company's shareholders | | 488,644 | 472,838 |
| | | | | Equity, total | | 488,644 | 472,838 |
| | | | | Liabilities and equity, total | | 7,625,351 | 6,613,987 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (EUR '000) | Equity attributable to parent company shareholders | | | | | | Non-controlling interests | Total equity |
|--|--|--|----------------|-------------------|----------------|-------------|---------------------------|--------------|
| | Share capital | Reserve for invested non-restricted equity | Other reserves | Retained earnings | Total | | | |
| EQUITY 1 JAN 2019 | 82,880 | 283,809 | -2,981 | 85,954 | 449,662 | 240 | 449,902 | |
| Comprehensive income | | | | | | | | |
| Profit/loss for the period | | | | 23,527 | 23,527 | 251 | 23,778 | |
| Other comprehensive income items: | | | | | | | | |
| Profit or loss on financial assets measured at fair value through other comprehensive income | | | 2,189 | 0 | 2,189 | 0 | 2,189 | |
| Remeasurements of defined benefit plans | | | 0 | -122 | -122 | 0 | -122 | |
| Comprehensive income, total | 0 | 0 | 2,189 | 23,405 | 25,594 | 251 | 25,845 | |
| Transactions with shareholders | | | | | | | | |
| Dividend distribution | 0 | 0 | 0 | 0 | 0 | -199 | -199 | |
| Changes in holdings in subsidiaries | 0 | 20 | 0 | -2,437 | -2,418 | -292 | -2,710 | |
| Transactions with shareholders, total | 0 | 20 | 0 | -2,437 | -2,418 | -491 | -2,909 | |
| TOTAL EQUITY 31 DEC 2019* | 82,880 | 283,828 | -792 | 106,921 | 472,838 | 0 | 472,838 | |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED CASH FLOW STATEMENT

| (EUR '000) | Note | 2020 | 2019 | (EUR '000) | Note | 2020 | 2019 |
|---|------|-----------------|----------------|--|------|----------------|----------------|
| Profit (loss) for the period | | 15,670 | 23,778 | Cash flows from investing activities | | | |
| Depreciation and impairment | | 13,422 | 12,811 | Investments in tangible and intangible assets | | -11,932 | -14,010 |
| Shares of the profit of companies consolidated with the equity method | | 1 | 1 | Impairment of tangible and intangible assets | | 23 | 167* |
| Credit losses | 2 | 27,891 | 18,623 | Subsidiary shares purchased less cash at the date of acquisition | 35 | -18,785 | -2,144 |
| Other non-payment income and expenses | | -2,150 | -4,056 | Proceeds from companies consolidated with the equity method | | 3 | 0 |
| Income taxes | | 5,378 | 5,223 | Proceeds from other investments | | 430 | 0 |
| Other adjustments | | 941 | 73 | | | | |
| Adjustments for financial income and expenses | | 2,351 | -1,546 | Cash flows from investing activities | | -30,260 | -15,987 |
| Adjustments, total | | 47,834 | 31,130 | | | | |
| | | | | Cash flows from investing activities | | | |
| Cash flows before changes in operating receivables and liabilities | | 63,504 | 54,907 | Issued bonds and debentures | 28 | 9,500 | 0 |
| | | | | Repayment of lease liabilities | | -2,485 | -2,989* |
| Increase/decrease in operating assets (- / +) | | | | Dividends paid | | -272 | -199 |
| Receivables from credit institutions, other than repayable on demand | | 2,683 | -16,499 | Cash flows from financing activities | | 6,742 | -3,188 |
| Receivables from customers | | -692,241 | -612,434 | | | | |
| Derivatives | | 400 | 245 | Difference in cash and cash equivalents | | 174,699 | 124,713 |
| Investment assets | | -146,750 | 598,578 | Cash and cash equivalents, opening balance sheet | | 608,741 | 484,037 |
| Other assets | | -1,689 | 565 | Difference in cash and cash equivalents | | 174,699 | 124,713 |
| Total increase/decrease in operating assets (- / +) | | -837,597 | -29,546 | Impact of changes in exchange rates | | -33 | -9 |
| | | | | Cash and cash equivalents consist of the following items | | | |
| Increase/decrease in operating liabilities (- / +) | | | | Cash and cash equivalents | 16 | 775,734 | 603,893 |
| Liabilities to credit institutions | | 0 | -302 | Repayable on demand | 18 | 7,674 | 4,848 |
| Liabilities to customers | | 975,675 | 117,019 | Cash and cash equivalents | | 783,408 | 608,741 |
| Other liabilities | | 2,014 | 8,683 | | | | |
| Total increase/decrease in operating liabilities (- / +) | | 977,689 | 125,401 | Interest paid | | -8,078 | -7,791 |
| Change in reserves | | 0 | -83 | Interest received | | 99,891 | 91,930 |
| Taxes paid | | -5,379 | -6,790 | | | | |
| Cash flows from operating activities | | 198,217 | 143,888 | | | | |

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

GROUP'S QUARTERLY PROFIT PERFORMANCE

Consolidated income statement

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

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

Consolidated comprehensive income statement

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

Key figures

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

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

SEGMENT REPORT

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

Banking is responsible for the household and corporate customer banking services of the S-Bank Group and their development. The

products and services offered by Banking include those for daily banking and the financing of purchases. Banking also includes the Group's treasury.

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

| Income statement 1 Jan–31 Dec 2020 (EUR '000) | Banking | Wealth Management | Other activities | Eliminations | Group, total |
|---|----------------|----------------------|---------------------|---------------|-----------------|
| Net interest income | 89,460 | -87 | -40 | | 89,333 |
| Net fee and commission income | 38,432 | 28,561 | 26 | | 67,019 |
| Net income from investing activities | 3,092 | 109 | -22 | | 3,179 |
| Other operating income | 17,871 | 310 | 3,566 | -7,424 | 14,323 |
| Total income | 148,855 | 28,893 | 3,530 | -7,424 | 173,853 |
| Total costs * | -89,939 | -26,914 | -19,759 | 7,441 | -129,172 |
| Impairment of receivables | -23,631 | -2 | 0 | | -23,633 |
| Share of the profits of associated companies | | | | -1 | -1 |
| Operating profit (loss) | 35,285 | 1,977 | -16,229 | 15 | 21,047 |

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

| Income statement 1 Jan–31 Dec 2019 (EUR '000) | Banking | Wealth Management | Other activities | Eliminations | Group, total |
|---|----------------|-------------------|---------------------|---------------|-----------------|
| Net interest income | 86,264 | -99 | -24 | | 86,142 |
| Net fee and commission income | 35,018 | 24,073 | 1,182 | | 60,272 |
| Net income from investing activities | 5,857 | 70 | -14 | | 5,914 |
| Other operating income | 16,153 | 199 | 4,926 | -5,467 | 15,811 |
| Total income | 143,292 | 24,243 | 6,070 | -5,467 | 168,138 |
| Total costs * | -86,964 | -23,557 | -20,087 | 5,467 | -125,141 |
| Impairment of receivables | -13,995 | | | | -13,995 |
| Share of the profits of associated companies | | | | -1 | -1 |
| Operating profit (loss) | 42,333 | 685 | -14,017 | -1 | 29,000 |

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

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

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

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

The most significant individual item under Other activities is depreciation, which is primarily a result of the harmonisation of

computer systems and processes at Group level. Other activities also include common costs, such as those relating to financial statements, auditing, the Board of Directors and General Meetings, as well as those of the management, including the CEO, in support and headquarter functions. In addition, the income and expenses of functions subject to restructuring are allocated to Other activities.

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

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

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

QUARTERLY PROFIT PERFORMANCE BY SEGMENT

| Banking (EUR '000) | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | 2020 | 2019 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 21,606 | 22,991 | 22,327 | 22,536 | 22,271 | 89,460 | 86,264 |
| Net fee and commission income | 11,110 | 8,987 | 9,691 | 8,645 | 9,265 | 38,432 | 35,018 |
| Net income from investing activities | 316 | 538 | 2,182 | 55 | 1,682 | 3,092 | 5,857 |
| Other operating income | 9,613 | 2,794 | 2,466 | 2,998 | 5,239 | 17,871 | 16,153 |
| Total income | 42,645 | 35,309 | 36,667 | 34,234 | 38,457 | 148,855 | 143,292 |
| Total costs * | -24,954 | -21,343 | -22,222 | -21,420 | -22,781 | -89,939 | -86,964 |
| Impairment of receivables | -6,608 | -4,265 | -7,166 | -5,592 | -3,423 | -23,631 | -13,995 |
| Operating profit (loss) | 11,083 | 9,702 | 7,278 | 7,222 | 12,252 | 35,285 | 42,333 |
| | | | | | | | |
| Wealth Management (EUR '000) | Q4,2020 | Q3,2020 | Q2,2020 | Q1,2020 | Q4,2019 | 2020 | 2019 |
| Net interest income | -40 | -19 | -17 | -12 | -32 | -87 | -99 |
| Net fee and commission income | 9,787 | 7,554 | 4,713 | 6,506 | 6,148 | 28,561 | 24,073 |
| Net income from investment operations | 38 | 35 | 9 | 28 | 16 | 109 | 70 |
| Other operating income | 120 | 3 | 123 | 64 | -35 | 310 | 199 |
| Total income | 9,905 | 7,573 | 4,828 | 6,587 | 6,097 | 28,893 | 24,243 |
| Total costs * | -8,518 | -6,933 | -5,545 | -5,918 | -6,991 | -26,914 | -23,557 |
| Impairment of receivables | -2 | 0 | 0 | 0 | 0 | -2 | 0 |
| Operating profit (loss) | 1,385 | 640 | -717 | 669 | -894 | 1,977 | 685 |

NOTES TO THE FINANCIAL STATEMENTS BULLETIN

NOTE 1: BASIC INFORMATION

The S-Bank Group consists of S-Bank Plc and its subsidiaries. S-Bank is a deposit bank that engages in credit institution operations pursuant to the Finnish Act on Credit Institutions (610/2014). The bank engages in the operations and related activities referred to in Chapter 5, section 1, of the above-mentioned Act, as well as offering investment

services pursuant to Chapter 1, section 15, of the Act on Investment Services (747/2012). As the parent company, S-Bank performs such tasks of the Group companies that must be carried out in a centralised manner, such as the Group's administration, guidance and supervision.

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

NOTE 2: ACCOUNTING POLICIES

ACCOUNTING POLICIES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS BULLETIN

The 1 Jan–31 Dec 2020 financial statements bulletin has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The figures in the tables of the financial statements bulletin are presented in thousands of euros unless otherwise is indicated. Since the figures have generally been rounded and do not include decimals, the sums of individual figures in euros may differ from the total figures presented in the report. The financial statements bulletin has not been audited.

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

In the financial statements bulletin, Fennia Asset Management Ltd and Fennia Properties Ltd have been included in the consolidated figures as of 1 August 2020. Subsidiaries 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.

In other respects, the financial statements bulletin complies with the accounting policies of the previous financial statements.

The Board of Directors of S-Bank approved the financial statements for the period 1 January–31 December 2020 at its meeting on 2 February 2021.

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

The accounting of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, forward-looking information and the macroeconomic situation are taken into account using the management factor. Since the variables of the macroeconomic model influence each other in a complex way, expected credit losses are calculated by means of a management factor to take into account not only the uncertainties associated with the factors used in the model and their underlying assumptions, but also the model risk. Moreover, as the rapid change in the macroeconomic situation due to the corona-

virus pandemic increased the inaccuracy of modelling, S-Bank's Group Management Team decided in March 2020 to remove a separate macro factor from the calculation of expected credit losses and to include macro-economic forecasts in the management factor for the time being. The management factor, which is confirmed monthly, takes into account the latest available information on the macro effects of the coronavirus pandemic and the uncertainty factors related to model risk and model assumptions.

Goodwill impairment testing includes management estimates of future business performance. Goodwill impairment testing includes management estimates of future business performance. The impairment testing of goodwill is described in more detail in the previous financial statements. Intangible assets.

Discretion has been applied to estimate the end-dates of premise leases in order to recognise the leases in accordance with the IFRS 16 standard. Information on leases has been presented in more detail in the previous financial statements. Tangible assets.

NOTE 3: NET INTEREST INCOME

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

NOTE 4: NET FEE AND COMMISSION INCOME

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

NOTE 5: NET INCOME FROM INVESTING ACTIVITIES

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

The fair values of investments declined as a result of the coronavirus pandemic during the review period. Net income declined in relation to the comparison period as the fair values of equities declined.

NOTE 6: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

NOTE 7: FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

Classification of financial instruments according to valuation method

| Financial assets, fair values 31 Dec 2020 | Level 1 | Level 2 | Level 3 | Fair value, total | Carrying amount | Financial assets, fair values 31 Dec 2019 | Level 1 | Level 2 | Level 3 | Fair value, total | Carrying amount |
|---|----------------|------------------|------------|----------------------|--------------------|---|------------------|------------------|------------|----------------------|--------------------|
| Financial assets measured at amortised cost | | | | | | Financial assets measured at amortised cost | | | | | |
| Cash and cash equivalents | 0 | 775,734 | 0 | 775,734 | 775,734 | Cash and cash equivalents | 0 | 603,893 | 0 | 603,893 | 603,893 |
| Receivables from credit institutions | 0 | 33,853 | 0 | 33,853 | 33,863 | Receivables from credit institutions * | 0 | 33,723 | 0 | 33,723 | 33,721 |
| Receivables from customers | 0 | 5,890,630 | 0 | 5,890,630 | 5,444,362 | Receivables from customers | 0 | 5,124,454 | 0 | 5,124,454 | 4,780,583 |
| Total | 0 | 6,700,216 | 0 | 6,700,216 | 6,253,959 | Total * | 0 | 5,762,070 | 0 | 5,762,070 | 5,418,197 |
| Financial assets measured at fair value through profit or loss | | | | | | Financial assets measured at fair value through profit or loss | | | | | |
| Debt securities | 0 | 322,519 | 0 | 322,519 | 322,519 | Debt securities | 0 | 62,571 | 0 | 62,571 | 62,571 |
| Derivatives | 0 | 0 | 0 | 0 | 0 | Derivatives | 0 | 400 | 0 | 400 | 400 |
| Shares and interests | 14,417 | 12,942 | 1 | 27,360 | 27,360 | Shares and interests ** | 14,529 | 12,554 | 0 | 27,083 | 27,083 |
| Total | 14,417 | 335,461 | 1 | 349,879 | 349,879 | Total * | 14,529 | 75,525 | 0 | 90,054 | 90,054 |
| Financial assets measured at fair value through other comprehensive income | | | | | | Financial assets measured at fair value through other comprehensive income | | | | | |
| Debt securities eligible for refinancing with central banks | 723,634 | 0 | 0 | 723,634 | 721,541 | Debt securities eligible for refinancing with central banks | 774,492 | 15,068 | 0 | 789,560 | 787,214 |
| Debt securities | 186,363 | 0 | 0 | 186,363 | 184,769 | Debt securities | 233,434 | 0 | 0 | 233,434 | 231,238 |
| Shares and interests | 0 | 549 | 217 | 765 | 765 | Shares and interests | 0 | 103 | 434 | 537 | 537 |
| Total | 909,998 | 549 | 217 | 910,763 | 907,076 | Total | 1,007,925 | 15,171 | 434 | 1,023,531 | 1,018,989 |
| Fair values of assets, total | 924,415 | 7,036,225 | 218 | 7,960,858 | 7,510,914 | Fair values of assets, total | 1,022,455 | 5,852,766 | 434 | 6,875,655 | 6,527,240 |

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

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

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

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

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

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

TRANSFERS BETWEEN LEVELS 1 AND 2

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

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

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

NOTE 8: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY

| 31 Dec 2020 | 0–3 months | 3–12 months | 1–5 years | 5–10 years | More than 10 years | Total |
|---|------------------|----------------|------------------|------------------|--------------------|------------------|
| Cash and cash equivalents | 775,734 | | | | | 775,734 |
| Debt securities eligible for refinancing with central banks | 35,051 | 101,320 | 585,170 | 0 | 0 | 721,541 |
| Receivables from credit institutions | 33,863 | 0 | 0 | 0 | 0 | 33,863 |
| Receivables from customers | 172,066 | 381,659 | 1,573,258 | 1,202,310 | 2,115,070 | 5,444,362 |
| Debt securities | 211,144 | 111,375 | 183,760 | 1,009 | 0 | 507,288 |
| Derivatives | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets, total | 1,227,858 | 594,354 | 2,342,187 | 1,203,319 | 2,115,070 | 7,482,788 |
| Liabilities to credit institutions | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to customers | 6,973,204 | 1,342 | 1,954 | 0 | 0 | 6,976,500 |
| Subordinated debts | 0 | 4,333 | 17,333 | 37,833 | 0 | 59,500 |
| Derivatives | 48 | 283 | 14,967 | 860 | 0 | 16,157 |
| Lease liabilities | 3 | 58 | 9,376 | 0 | 0 | 9,437 |
| Financial liabilities, total | 6,973,254 | 6,017 | 43,630 | 38,693 | 0 | 7,061,594 |
| 31 Dec 2019 | 0–3 months | 3–12 months | 1–5 years | 5–10 years | More than 10 years | Total |
| Cash and cash equivalents | 603,893 | | | | | 603,893 |
| Debt securities eligible for refinancing with central banks | 0 | 110,778 | 668,610 | 7,826 | 0 | 787,214 |
| Receivables from credit institutions | 33,721 | 0 | 0 | 0 | 0 | 33,721 |
| Receivables from customers | 218,877 | 396,908 | 1,385,114 | 1,036,412 | 1,743,273 | 4,780,583 |
| Debt securities | 37,026 | 36,356 | 188,878 | 31,549 | 0 | 293,809 |
| Derivatives | 0 | 400 | 0 | 0 | 0 | 400 |
| Financial assets, total | 893,516 | 544,441 | 2,242,602 | 1,075,788 | 1,743,273 | 6,499,620 |
| Liabilities to credit institutions | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to customers | 5,996,973 | 862 | 2,990 | 0 | 0 | 6,000,826 |
| Subordinated debts | 0 | 0 | 33,600 | 16,400 | 0 | 50,000 |
| Derivatives | 0 | 913 | 14,695 | 1,454 | 0 | 17,062 |
| Lease liabilities | 1 | 209 | 3,144 | 0 | 0 | 3,353 |
| Financial liabilities, total | 5,996,974 | 1,984 | 54,429 | 17,854 | 0 | 6,071,241 |

NOTE 9: FINANCIAL ASSETS AND LIABILITIES BY INTEREST RATE FIXING

| 31 Dec 2020 | 0–3 months | 3–12 months | 1–5 years | 5–10 years | More than 10 years | Total |
|---|------------------|------------------|----------------|---------------|--------------------|------------------|
| Cash and cash equivalents | 775,734 | 0 | 0 | 0 | 0 | 775,734 |
| Debt securities eligible for refinancing with central banks | 86,882 | 81,259 | 553,400 | 0 | 0 | 721,541 |
| Receivables from credit institutions | 33,863 | 0 | 0 | 0 | 0 | 33,863 |
| Receivables from customers | 2,132,064 | 3,241,010 | 48,464 | 22,824 | 0 | 5,444,362 |
| Debt securities | 211,144 | 111,375 | 183,760 | 1,009 | 0 | 507,288 |
| Derivatives | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial assets, total | 3,239,688 | 3,433,643 | 785,624 | 23,833 | 0 | 7,482,788 |
| Liabilities to credit institutions | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to customers | 6,973,204 | 1,342 | 1,954 | 0 | 0 | 6,976,500 |
| Subordinated debts | 0 | 59,500 | 0 | 0 | 0 | 59,500 |
| Derivatives | 10,142 | 5,548 | 467 | 0 | 0 | 16,157 |
| Lease liabilities | 0 | 0 | 9,437 | 0 | 0 | 9,437 |
| Financial liabilities, total | 6,983,346 | 66,390 | 11,858 | 0 | 0 | 7,061,594 |
| 31 Dec 2019 | 0–3 months | 3–12 months | 1–5 years | 5–10 years | More than 10 years | Total |
| Cash and cash equivalents | 603,893 | 0 | 0 | 0 | 0 | 603,893 |
| Debt securities eligible for refinancing with central banks | 77,031 | 80,674 | 621,682 | 7,826 | 0 | 787,214 |
| Receivables from credit institutions | 33,721 | 0 | 0 | 0 | 0 | 33,721 |
| Receivables from customers | 2,027,778 | 2,668,305 | 73,580 | 10,921 | 0 | 4,780,583 |
| Debt securities | 37,026 | 36,356 | 188,878 | 31,549 | 0 | 293,809 |
| Derivatives | 400 | 0 | 0 | 0 | 0 | 400 |
| Financial assets, total | 2,779,849 | 2,785,334 | 884,140 | 50,296 | 0 | 6,499,620 |
| Liabilities to credit institutions | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities to customers | 5,996,973 | 862 | 2,990 | 0 | 0 | 6,000,826 |
| Subordinated debts | 0 | 50,000 | 0 | 0 | 0 | 50,000 |
| Derivatives | 9,345 | 5,761 | 1,957 | 0 | 0 | 17,062 |
| Lease liabilities | 0 | 0 | 3,353 | 0 | 0 | 3,353 |
| Financial liabilities, total | 6,006,318 | 56,623 | 8,300 | 0 | 0 | 6,071,241 |

NOTE 10: DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

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

31 Dec 2020

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

31 Dec 2019

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

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

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

31 Dec 2019

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

NOTE 11: IMPAIRMENT OF RECEIVABLES

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

EXPECTED CREDIT LOSSES AND IMPAIRMENT LOSSES RECOGNISED DURING THE PERIOD

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

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

The total ECL provision at the end of the review period was EUR 19.6 million (17.1). The ECL provision increased by EUR 2.5 million during the financial year, affected by an increase of EUR 2.9 million in the share of household customers and a decrease of EUR 0.4 million in the share of corporate customers. The coverage ratio of loan portfolios and the total portfolio has remained relatively stable and within the risk appetite defined by S-Bank's Board in its credit risk strategy.

RISK EXPOSURE, SUMMARY

| | Stage 1 | | Stage 2 | | Stage 3 | | Exposures and commitments, total | ECL provision, total | Coverage ratio, % |
|----------------------------------|--|---------------|--|---------------|--|---------------|----------------------------------|----------------------|-------------------|
| | Exposures and commitments subject to credit risk | ECL provision | Exposures and commitments subject to credit risk | ECL provision | Exposures and commitments subject to credit risk | ECL provision | | | |
| 31 DEC 2020 (EUR million) | | | | | | | | | |
| Lending to household customers* | 3,896.4 | -1.6 | 593.2 | -11.6 | 28.6 | -4.2 | 4,518.2 | -17.4 | -0,39% |
| Lending to corporate customers* | 953.3 | -0.3 | 7.9 | -0.1 | 0.0 | 0.0 | 961.2 | -0.4 | -0.04% |
| Investing activities** | 910.0 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 910.0 | -0.7 | -0.08% |
| Off-balance sheet commitments*** | 2,031.9 | -0.2 | 99.8 | -0.7 | 0.5 | 0.0 | 2,132.1 | -1.0 | -0.05% |
| Total | 7,791.5 | -2.8 | 700.9 | -12.5 | 29.1 | -4.3 | 8,521.6 | -19.6 | -0.23% |

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

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

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

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

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

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

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

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

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

CREDIT RISK EXPOSURE (HOUSEHOLD CUSTOMERS)

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

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

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

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

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

EXPOSURE TO CREDIT RISK (CORPORATE, INVESTING ACTIVITIES AND OFF-BALANCE SHEET COMMITMENTS, INCLUDING THE OFF-BALANCE SHEET ACCOUNTS OF HOUSEHOLD CUSTOMERS)

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

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

The ECL provision for investing activities is recognised in the fair value reserve under Other comprehensive income. The ECL provision for off-balance sheet receivables is recognised in the balance sheet under Other liabilities.

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

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

The ECL provision for investing activities is recognised in the fair value reserve under Other comprehensive income. The ECL provision for off-balance sheet receivables is recognised in the balance sheet under Other liabilities.

The following tables describe transfers and changes in expected credit losses per financial instrument category during the review period. The tables present the reconciliation between the opening and closing balances of the loss allowance. The changes in risk parameters decreased the ECL provision by EUR 0.1 million relative to the previous year. This item is affected by, among others, estimates from risk models and factors reflecting the macroeconomic situation and management's estimate. The results of the risk models decreased the ECL provision, while changes in factors increased the ECL provision relative to a situation where risk estimates and factors would have been unchanged. The macro factor calculated using the macroeconomic model was decommissioned in March 2020 when the rapid macroeconomic changes caused by the coronavirus pandemic increased the uncertainty related to modelling. Therefore, for the time being, the macroeconomic estimates are included in the management factor.

RECONCILIATION OF EXPECTED CREDIT LOSSES (HOUSEHOLD CUSTOMERS)

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

RECONCILIATION OF EXPECTED CREDIT LOSSES (CORPORATE LENDING, INVESTING ACTIVITIES AND OFF-BALANCE SHEET COMMITMENTS, INCLUDING THE OFF-BALANCE SHEET ACCOUNTS OF HOUSEHOLD CUSTOMERS)

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

NOTE 12: COLLATERAL GIVEN

| | Other collateral | |
|--|------------------|----------------|
| | 31 Dec 2020 | 31 Dec 2019 |
| Collateral given for own debt | | |
| Liabilities to credit institutions | 174,131 | 152,252 |
| Derivatives and liabilities held for trading | 22,865 | 23,573 |
| Collateral given for own debt, total | 196,997 | 175,825 |
| of which cash | 22,865 | 23,573 |
| of which securities | 174,131 | 152,252 |
| Other collateral given on own behalf | 362 | 225 |
| of which cash | 362 | 225 |
| Collateral given on behalf of others | 0 | 24 |
| of which cash | 0 | 24 |

NOTE 13: OFF-BALANCE SHEET COMMITMENTS

Impairment of off-balance sheet items is presented above (Note 11: Impairment of receivables).

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

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

NOTE:14 RELATED PARTIES AND CORPORATE TRANSACTIONS

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

BUSINESS COMBINATIONS 1 JANUARY–31 DECEMBER 2020

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

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

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

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

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

Goodwill is included in the Group's goodwill testing as of 31 December 2020 and no impairment has been recognised.

NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

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

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

FINANCIAL CALENDAR 2021

IN 2021, S-BANK WILL PUBLISH FINANCIAL INFORMATION AS FOLLOWS:

Financial statements bulletin for 2020: 3 Feb 2021
 Annual Report 2020: 1–7 Mar 2021
 Capital and risk Management Report 2020: 1–7 Mar 2021
 Interim Report January–March 2021: 4 May 2021
 Half-year report 2021 January–June 2020: 29 Jul 2021
 Interim report January–September 2021: 9 Nov 2021

2 February 2021

S-Bank Plc's Board of Directors

S=Bank

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