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

Auditor's Report

To the Annual General Meeting of S-Bank Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of S-Bank Ltd (business identity code 2557308-3) for the year ended 31 December, 2019. The financial statements comprise the consolidated balance sheet, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

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

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Most significant assessed risks of material misstatement

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

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

MOST SIGNIFICANT ASSESSED RISKS OF MATERIAL MISSTATEMENT	AUDITOR'S RESPONSE TO THE RISKS
Measurement of receivables (Receivables from customers); Notes 1, 2, 10 and 19 to the consolidated financial statements and notes 1, 9 and 12 to the parent company financial statements	
— S-Bank has applied IFRS 9 Financial Instruments to recognition of impairment losses on receivables as from 1 January 2018. — Calculation of expected credit losses involves assumptions, estimates and management judgment especially in respect of the probability of expected credit losses, significant increases in credit risk and valuation of collaterals. — Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, valuation of receivables is addressed as a key audit matter.	— We evaluated the models and the key assumptions used in determining expected credit losses. — We evaluated compliance with the lending instructions and assessed the appropriateness of the recognition and measurement principles, as well as tested controls over recognition and monitoring of impairment losses and measurement of receivables. — Furthermore, we considered the appropriateness of the notes provided in respect of receivables and impairment losses.
Recognition of fee and commission income (fee income from funds); Accounting policies used in the preparation of the consolidated financial statements, and note 5 to the consolidated financial statements)	
— The assets managed by S-Bank Group entitle to management fees on the grounds of agreements with customers and partners. Fee income from funds represent a significant item in the consolidated income statement. — Calculation of fee and commission income is system-based relying on fee agreements and other source data. Owing to the large number	— We obtained an understanding of the fee and commission streams of the Group and assessed those areas which may involve the higher risk of error, due the manual processing of fee and commission-related elements, tailored or diverse contract terms. We focused our work on these areas.

of fee and commission bases, fee calculation involves various elements which may affect fee and commission amounts.

— Appropriate timing of the recognition of fee and commission income at correct amount is essential in respect to the accuracy of the financial statements.

— We evaluated the business processes and IT systems related to fee and commission income and assessed the associated key controls. Our audit procedures also included comparison of the accounting data kept in subledgers to that in the general ledger, and substantive procedures performed in respect of fee and commission income using data analyses.

— We recalculated the recognised fee and commission amounts and compared the parameters used to the underlying contract documentation, on a sample basis. Furthermore, we compared market-based data to the source data provided by third parties.

Transition to IFRS Standards; note 1 to the consolidated financial statements

— S-Bank applies IFRS Standards (IFRS) for the first time in its 2019 consolidated financial statements. The date of transition to IFRS was 1 January 2018. Changes in the accounting policies for financial statements require management make certain judgements. We identified the IFRS transition as a significant assessed risk of material statement due to the related one-time impacts and the application decisions involving management judgement.

— The comparative information for the financial year 2018 is reported in the 2019 financial statements in accordance with the IFRS principles.

— Compared to the previously applied accounting principles, the adoption of IFRS in S-Bank Group has required new procedures, relating to, for example, accounting for intangible rights, goodwill impairment testing, recognition of fee and commission income, treatment of leases and has affected the extent of the notes to financial statements.

— Our audit procedures comprised monitoring of the IFRS conversion project, assessment of the accounting policy decisions made in the conversion by reference to the requirements in IFRS standards and evaluation of the accounting adjustments, among others.

— We assessed the adjustments and impacts from the revised policies and procedures, for example, by comparing the data used in the underlying calculations with contract documentation, considering the market-conformity of calculation parameters, and by testing whether the assumptions used in the estimates were based on the data possessed by S-Bank on previous realisations.

— Furthermore, we considered the appropriateness of the notes provided on the IFRS transition.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 14 March 2011, and our appointment represents a total period of uninterrupted engagement of 9 years.

Other Information

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

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

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

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

Helsinki, 4 February 2020

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MARCUS TÖTTERMAN
Authorised Public Accountant, KHT