S-Pankki

Compiled Financial
Statements 2008

Contents:

Report of the Executive Board, 1 January – 31 December 2008

S Group's own bank, S-Bank, got off to its first full year of operations from favourable starting points: the message of easy-to-use and transparently priced banking services had spread, and the bank had begun growth in all the main sectors of its operations. At the beginning of the year, S-Bank even had a positive problem with growth, as the demand for the bank's products had exceeded expectations during the last months of the previous year. Because of this, some of the planned marketing campaigns were cancelled.

S-Bank had 1.873 million customers at the beginning of the year. The Bank received an average of more than 15,000 new customers per month. The threshold of two million customers was exceeded in October, and by the end of the year, bank had 2.034 million customers.

S-Bank's total deposits continued strong growth during 2008. Retail deposits increased by approximately 80%, corporate deposits by nearly 20%. As a whole, total deposits increased by slightly over 70%. Total deposits amounted to approximately EUR 2 billion at year's end.

Loans granted by S-Bank increased as well. At the end of 2008, total lending was 2.5 times the amount the corresponding time a year before.

Use of S-Bank's online bank increased steadily throughout the year. Each month, approximately 36,000 S-Bank customers ordered the passwords required in using the online bank. At the end of the year, more than a third of the bank's customers were using the online bank facility. In June, S-Bank's transaction security improved further when a two-phase logging in feature was implemented in the online bank.

The demand for Visa Credit and Visa Debit cards issued by S-Bank, meeting the new international payment standards, increased towards the end of the year. The number of Visa cards issued by S-Bank nearly quadrupled during 2008.

S-Bank fared well in general comparisons of the services and functioning of banks operating in Finland. The S-Määräaikaistili (time deposit) stood out as the most profitable time deposit alternative on the market in several comparison surveys. With regard to the total price of banking and prices of card credit, S-Bank was in most cases the most inexpensive option or among the most inexpensive ones. According to a survey published in the autumn, S-Bank was the fourth most respected bank brand in Finland.

The global financial crisis affected the functioning of the interbank market at the end of 2008. In a declining world economy, S-Bank's strong and safe domestic franchise resulted in a growth, which exceeded all expectations, for instance the demand for time deposits increased substantially during the autumn.

The year 2008 was in all very successful for S-Bank. S-Bank continued its growth and consolidated its position. The new bank has established its position in the Finnish banking sector ■

Financial standing

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank's first full year of operations exceeded expectations. Even though the outlays made in the start-up stage were still evident in S-Bank's financial performance, some of the months in the last two quarters showed profit. The result for year 2008 was a loss of EUR 6.1 million (-2.9). Because banking operations started up from the end of 2007, the figures are not comparable with the previous year.

The most significant items burdening the bank's result were the outlays made on developing the quality of customer service and investments on systems. On the other hand, treasury activities benefited from the general trend in the level of interest rates, with their performance exceeding expectations. The retail banking business grew according to expectations during the financial period.

The cost/income ratio improved slightly compared with previous year, to 1.1 (1.2). While the operations showed loss, profitability decreased, and return on equity was -11.2% (-7.2%). Return on assets was equal with the previous year due to the strong growth of the balance sheet, i.e. 0.4% (-0.5%).

Income

Net income totalled EUR 30.7 million (12.6). The majority of the income was generated by the net interest income, totalling EUR 25.6 million (4.6). The interest income was mainly generated by investments in the money and capital markets, but towards the end of the year, the steady growth of card and credit products was also seen in the interest income. The interest expenses consisted mainly of interest on deposits paid to the customers. Strong growth in total deposits and general trends in interest rates contributed to the favourable development of net interest income.

Net fee and commission income, which is mainly generated by the card business, deposits and payments, accounted for EUR 3.1 million (1.4) of the income, other income for EUR 1.0 million (6.7). With the derivative instruments recognised at fair value through profit or loss, the net income from security trading amounted to EUR 1.5 million (0). Realised net income from available-for-sale financial assets amounted to EUR -0.5 million (0.0) during the financial period.

Expenses

Operating expenses totalled EUR 36.8 million (15.5) during the financial period. The most significant items burdening the bank's result were IT and information management expenses, accounting for EUR 10.6 million (2.7) of the expenses. Other administrative expenses totalled EUR 24.2 million (9.9), with other significant items besides the IT and information management expenses being expenses related to system connections, commissions paid to S Group Companies, and charges invoiced to S-Bank by S-Asiakaspalvelu Oy.

The number of employees continued to grow during the financial period, and personnel expenses accounted for EUR 5.0 million (4.2) of the operating expenses. Depreciation amounted to EUR 3.6 million (0.6). Other operating expenses, totalling EUR 1.8 million (0.5), consisted of leases and rents for office premises, machinery and equipment, vehicle expenses as well as contribution payments made to the Deposit Guarantee Fund.

The bank recorded impairment losses and credit losses of EUR 2.3 million (0.2) for the financial period. Recovery of credit losses amounted to EUR 0.1 million (0.0).

BALANCE SHEET

Total assets were EUR 2,066.1 million at the end of the financial period. This was EUR 865.4 million up on the previous year. Retail customers' strong confidence in S-Bank contributed to the strong growth of the balance sheet: even in the middle of the financial crisis, deposits increased at a record rate. At the end of the financial year current accounts amounted to a total of EUR 1,150.6 million (737.5) and time deposits to a total of EUR 626.1 million (249.9). The amount of corporate deposits fluctuated greatly during the financial period and totalled EUR 168.0 million at the end of the period. This was EUR 20.5 million up on the previous year.

During the financial period, S-Bank issued two subordinated Lower Tier 2 bonds amounting to EUR 15 million and EUR 5 million. SOK Corporation subscribed for both bonds.

The bank's equity increased by EUR 6.3 million during the financial period, amounting to EUR 55.6 million at the end of the period. The increase was due to the bank's equity being increased by EUR 20 million by increasing the reserve for invested non-restricted equity in August. The fair value reserve burdened the bank's equity the most, showing loss of EUR 7.7 million at the end of the financial period.

The bank invested its assets for the most part in the money and bond market. At the end of the financial period, the value of debt securities amounted to EUR 1,766.1 million (948.5), of which debt securities eligible for refinancing with central banks accounted for EUR 1,145.4 million (178.9). All debt securities were classified as available-for-sale financial assets. Receivables from public, which mainly consist of credit card receivables as well as overdraft facilities and working capital credit facilities, increased at a steady rate, totalling EUR 99.8 million at the end of the financial period. This was EUR 57.5 million up on the previous year. Receivables from central banks and credit institutions totalled EUR 163.8 million (199.1).

The bank's equity ratio decreased due to the rapid growth of deposits, ending up at 2.8% (4.2%) ■

Key indicators (EUR million)

	12/2008	12/2007
Net interest income	25.6	4.6
Net fee and commission income	3.1	1.4
Other income	2.1	6.7
Net income	**30.7**	**12.6**
Personnel expenses	-5.0	-4.2
Other administrative expenses	-24.2	-9.9
Depreciation, amortisation and impairment losses	-3.6	-0.6
Other expenses	-4.0	-0.7
Operating profit/loss	**-6.1**	**-2.9**
Retail deposits		
Current accounts	1,150.6	737.5
Time deposits	626.1	249.9
Corporate deposits	168.0	147.5
Total deposits	**1,944.7**	**1,134.9**
Debt securities	1 766.1	948.5
Receivables from central banks / credit institutions	163.8	199.1
Lending to the public	99.8	42.3
Total receivables	**2,029.8**	**1,189.9**
Cost/income ratio	1.1	1.2
Return on equity	-11.2 %	-7.2 %
Return on assets	-0.4 %	-0.5 %
Equity ratio	2.8 %	4.2 %

Capital adequacy

DISCLOSURE OF CAPITAL ADEQUACY INFORMATION

In Finland, banking operations and related risk-taking are regulated for instance through the monitoring of capital adequacy. The revised capital adequacy framework is comprised of pillars. Pillar I defines the minimum capital requirements, Pillar II requires the bank to make an overall estimate of its risk profile and the adequacy of its capital in proportion to these risks, and Pillar III defines the disclosure requirements regarding the bank's risks. It stipulates that information concerning capital adequacy must be published at least once a year, taking into account the principle of materiality. S-Bank observes the disclosure requirement by publishing the own funds information on its capital adequacy at least once a year in the Report of the Executive Board. In respect to different types of risk and risk management, the information is published in the Notes to the financial statements.

Capital adequacy-related information can also be disclosed in an Interim Report. Such a situation would be realised if the company is capitalised outside the capital plan. An Interim Report is published once a year, for the period covering the first six months of the year.

At the closing date, there is no information regarding capital adequacy that is not published due to business secrets or non-disclosure obligation.

S-Bank does not disclose information regarding the capital adequacy requirement for market risk as S-Bank does not hold a trading portfolio pursuant to minimum capital adequacy requirements.

OWN FUNDS

Own funds can be divided into Tier I and Tier II own funds and other own funds. S-Bank's own funds consist of Tier I and Tier II own funds as well as of items deducted from own funds. The bank does not have items to be counted as other own funds.

Tier I own funds are available for free and immediate use to cover unexpected losses. S-Bank's Tier I own funds consist of restricted and non-restricted equity items and retained earnings.

Restricted equity within Tier I own funds consists of share capital and the share premium reserve. In addition, the invested non-restricted equity reserve and voluntary provisions less deferred taxes are within S-Bank's Tier I own funds.

S-Bank's Tier I own funds are to be included in their entirety in non-restricted own funds, which means that the bank has full power of decision over their repayment and over dividends to be distributed on them.

Owing to the start-up of operations, the bank has shown a loss during the initial period. For this reason, the losses from prior periods and for the financial year comprise the retained earnings in their entirety and they are thus to be deducted from Tier I own funds. Tax assets attributable to confirmed losses are not counted as own funds. The unamortised portion of the cost of intangible assets is deducted from Tier I own funds.

S-Bank's Tier II own funds consist of the fair value reserve and the issued subordinated Lower Tier 2 bonds. The fair value reserve is included in its entirety in upper Tier II own funds less deferred taxes according to the corporate tax rate. During the financial period 2008, S-Bank issued two amounting to a total of EUR 20 million. SOK Corporation subscribed for both bonds.

S-Bank does not have items that are to be deducted from Tier II own funds or jointly from Tier I and Tier II own funds.

MANAGEMENT OF CAPITAL REQUIREMENTS

The management of S-Bank's capital requirements is described in the risk management policy that has been confirmed by the bank's Executive Board. It is updated yearly or whenever changes calling for an update take place in the bank's operations.

Managing capital adequacy is part of S-Bank's annual strategy process. The starting point in the process of managing capital adequacy is to comprehensively identify the risks, taking the nature and extent of operations as well as changes in the external operating environment into consideration. The amount of own funds required by S-Bank is deducted from the identified and analysed risk within the limits of the risk-taking bias and level of risk-taking.

The management of capital adequacy is based on risk analyses prepared for credit, market and operational risks pursuant to the minimum capital requirements. In addition, risk analyses are prepared for risks that are accounted for only partially under Pillar I or fall completely outside Pillar I. The risk analyses combined with the operational concept defined by the bank's Executive Board and the bank's strategic objectives as well as the risk-taking bias derived from them form the risk-based capital requirement, which the Executive Board confirms as part of its annual capital plan. In addition to the capital requirement, the capital plan provides a description of the acquisition of any supplementary capital that may be needed as well as measures to be taken in dealing with unexpected situations that affect capital adequacy.

The minimum capital adequacy for own funds under Pillar I is attributable above all to credit risk. In calculating the capital requirement, S-Bank applies the standard method for credit and market risk and the basic method for operational risk. Owing to the nature of operations, the bank did not allocate own funds to market risk during the financial period 2008, and also the requirement for operational risks was minor due to the start-up of operations.

In respect of credit risk and market risk, S-Bank considers that its operations are of such a nature that the risk-based capital requirement under Pillar II corresponds to the capital requirement under Pillar I. The same also applies to operational risks, as the risk-based capital requirement for operational risks increases with the increase in operations.

With regard to risks in the external operating environment, interest rate risk in the banking book, concentration risk and liquidity risk, the bank considers that the risk-based capital requirement is not material in amount. The financial crisis did not have an impact on the bank's risk-based capital requirement: showing a surplus of liquidity in 2008, S-Bank benefited from the lack of liquidity in the market.

In the start-up stage of operations, S-Bank's minimum capital adequacy target is 10%. The calculation of the capital adequacy ratio is presented at the end of the report. The bank closely monitors the development of its balance sheet structure and undertakes measures immediately if its capital adequacy is in danger of falling below the minimum capital adequacy target which the bank has set for itself. In the start-up stage of operations, meeting the target is ensured by weighting the balance sheet towards low-risk counterparties. Secondarily, the Executive Board proposes to the General Meeting measures for increasing own funds as appropriate to the situation.

At the close of the financial period 2008 (2007), the bank's capital adequacy ratio was 12.7 % (9.2%). The bank's own funds amounted to EUR 63.0 million (34.6), whereas the minimum requirement for own funds was EUR 39.8 million (30.3). The capital adequacy requirement for credit risk was the biggest category to which the bank's own funds were committed; included herein were the items Receivables from credit institutions and investment services companies and Receivables from companies ■

Own funds (EUR million)	**12/2008**	**12/2007**
Tier I own funds without deduction items	**65.4**	**51.5**
Share capital	16.8	16.8
Share premium reserve	21.2	21.2
Invested non-restricted equity reserve	41.6	21.6
Voluntary provisions	2.1	2.1
Retained earnings		
Profits/losses from previous periods	-10.2	-4.9
Profit/loss for the financial period	-6.1	-5.3
Deduction items		
Intangible assets	14.6	16.8
Tier I own funds, total	**50.7**	**34.8**
Tier II own funds	**12.3**	**-0.2**
Fair value reserve	-7.7	-0.2
Debenture loans	20.0	0.0
Own funds, total	**63.0**	**34.6**
Capital adequacy ratio	**12.7 %**	**9.2 %**
Capital adequacy ratio for tier I own funds	**10.2 %**	**9.2 %**

Minimum amount of own funds (EUR million)	**12/2008**		**12/2007**	
Minimum capital adequacy requirement for credit risk	**Exposure value**	**Own funds**	**Exposure value**	**Own funds**
Receivables from general government and central banks	161.6	0.0	1.8	0.0
Receivables from credit institutions and investment services companies*	1,703.9	26.5	1,006.1	16.2
Receivables from companies	96.4	7.5	161.0	12.5
Retail receivables	45.3	2.7	20.3	1.2
Receivables due	4.1	0.5	0.7	0.1
Covered bonds	23.0	0.2	0.0	0.0
Investments in investment funds	4.2	0.1	0.0	0.0
Other items	13.1	0.2	3.1	0.2
Off-balance sheet commitments	251.0	1.1	125.7	0.0
Total	**2,302.5**	**38.8**	**1,318.7**	**30.2**
Minimum capital adequacy requirement for credit risk, total		**38.8**		**30.2**
Minimum capital adequacy requirement for market risk		Nothing to report		Nothing to report
Minimum capital adequacy requirement for operational risks		**1.0**		**0.1**
Minimum amount of own funds, total		**39.8**		**30.3**

* The exposure value takes into consideration the exposure value of the counterparty risk with regard to derivatives.

Administration

ANNUAL GENERAL MEETING

The Annual General Meeting was held on 12 March 2008. The Annual General Meeting confirmed the previous year's financial statements and released the Executive Board and the Managing Director from liability. The meeting resolved not to distribute a dividend. The number of members of the Executive Board was set at six and the members were named. Tomi Englund, Authorised Public Accountant, of Helsinki was elected as the auditor and Ernst & Young Oy, Authorised Public Accountants, as deputy auditor.

EXECUTIVE BOARD

The General Meeting of Shareholders confirms the number of members of the Executive Board and appoints the members of the Executive Board for a term of one year. The Executive Board elects from amongst its number a chairman and a vice chairman.

The Executive Board has rules of procedure, duly confirmed, according to which the Executive Board is responsible for the bank's strategic development, the steering and control of its operations as well as for deciding on the company's main operating principles and core values in accordance with the applicable legislation and regulations. The Executive Board shall manage the bank in a professional manner in compliance with healthy and good banking practise. The Executive Board meets at least eight times a year.

The Annual General Meeting elected the following officers as members of S-Bank Ltd's Executive Board: Jari Annala, Senior Vice President, CFO, Finance and Administration, Directors Taavi Heikkilä, Matti Niemi, Folke Lindström and Esko Hakala as well as Juha Ahola, Senior Vice President, SOK Finance. The Executive Board elected Jari Annala as its chairman and Taavi Heikkilä as vice chairman.

The Executive Board convened 16 times (16) during the financial period and the average rate of attendance was 93.8% (92.9%). Members of the Executive Board are not paid meeting fees.

MANAGING DIRECTOR

The bank's Executive Board appoints the Managing Director. The Managing Director's task is to attend to the bank's running administration in accordance with the instructions and regulations issued by the Executive Board, applicable legislation and regulations, the Articles of Association as well as the Managing Director's Charter. The Managing Director acts as chairman of the Management Team appointed by the Executive Board. The Management Team is a body that assists the managing director in exercising his power of decision. If the managing director is prevented from attending to his duties, they are carried out by the Managing Director's deputy.

As from 22 June 2006, Pekka Ylihurula has been the Managing Director of S-Bank Ltd. The Managing Director's deputy, Erkko Koskela, resigned from the bank in May. Veli-Matti Parmala, the bank's General Council, was appointed to replace him in this position ■

Personnel

The number of S-Bank employees continued to grow during the financial period, and the bank employed 88 employees at the end of the year, 32 more than the year before. Salaries and fees increased 18.4% on the previous year to EUR 4.1 million (3.4).

Training sessions were arranged during 2008 in accordance with the training programme approved by the Executive Board for S-Bank employees and agents. The agents' training sessions focused on ensuring the quality and competence required in banking operations. S-Bank trained its personnel on a regular basis in accordance with its own training programme. According to surveys carried out at the end of 2008, both the agent network and the bank's customer service had a good level of competence and quality ■

S-Asiakaspalvelu Oy

S-Asiakaspalvelu Oy is a wholly-owned subsidiary of S-Bank. Established on 8 August 2007, S-Asiakaspalvelu provides data-processing and other services related to a credit institution's core operations as a service company pursuant to the Credit Institutions Act (121/2007).

During the financial period, S-Asiakaspalvelu's turnover amounted to EUR 5.8 million (1.4), of which intra-group revenue accounted for EUR 4.5 million (1.4). Other revenue comprised of customer-owner telephone services offered to the cooperative enterprises. Expenses were mainly personnel-related, and the number of employees was 91 (63) at year's end. S-Asiakaspalvelu's result was EUR 0.0 million.

Because of the limited extent of S-Asiakaspalvelu Oy's operations and balance sheet, S-Bank does not include the company in its consolidated financial statements. S-Bank Ltd and S-Asiakaspalvelu Oy are consolidated within the Group named SOK Corporation ■

Main events after the end of the financial period

No substantial changes have taken place in the bank's financial and operational situation after the end of the financial period ■

Outlook for 2009

The result of banking operations is forecast to improve on 2008, but to remain loss-making in the 2009 financial year. The decreasing interest rates are a challenge to traditional deposit banking. In addition, large depreciation on sizeable investments in particular will burden the bank's earnings in its first years. Operations will be made more efficient by continuing the development of processes. The number of personnel is not expected to increase much during the financial period.

The transition towards the Single Euro Payments Area (SEPA) will continue in European banks during 2009. S-Bank's online bank will adopt a new SEPA-compliant payment method also for domestic payments during spring 2009. In addition, Itella's electronic transaction service NetPosti will be implemented as a fixed element of the online bank during 2009. The innovation will enable S-Bank customers to receive electronic documents via the online bank.

As outlined already in the start-up phase of S-Bank Ltd, the plans for widening the ownership of S-Bank among S Group Companies, will be finalized during 2009 ■

Executive Board's proposal for the disposal of distributable funds

The Executive Board proposes that the loss for the financial year, EUR 6,137,308.10, be entered in the retained earnings account and that no dividend be distributed ■

Calculation of key indicators

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 dealing in securities and foreign exchange
+ net income from available-for-sale financial assets + other operating income

Other expenses:
Other operating expenses + impairment losses on loans and other receivables

Cost/income ratio:

Administrative expenses + depreciation, amortisation and impairment losses on tangible and intangible assets + other operating expenses (excluding impairment losses)

divided by

Net interest income + income from equity investments + net fee and commission income
+ net income from dealing in securities and foreign exchange
+ net income from available-for-sale financial assets + net income from hedge accounting
+ net income from investment properties
+ other operating income + share of equity earnings in associated companies (net)

Return on equity (ROE), %

Operating profit/loss – income taxes

divided by

Equity and minority interest
+ accumulated appropriations less deferred taxes (average of beginning and end of year)

x 100

Return on assets (ROA), %

Operating profit/loss – income taxes

divided by

Total assets, average (average of beginning and end of year)

x 100

Equity ratio, %

Equity and minority interest
+ accumulated appropriations less deferred taxes

divided by

Total assets

x 100

Capital adequacy ratio, %

Own funds, total

divided by

Minimum requirement for own funds, total

x 8 %

Capital adequacy ratio for tier I own funds, %

Tier I own funds, total

divided by

Minimum requirement for own funds, total

x 8 %

Balance Sheet

EUR thousands

ASSETS	31 Dec 2008	31 Dec 2007
Liquid assets	28 470	1 696
Debt securities eligible for refinancing with central banks		
Others	1 145 364	178 924
Receivables from credit institutions	135 360	197 433
Payable on demand	2 360	197 433
Others	133 000	
Receivables from the public and public sector entities	99 821	42 272
Payable on demand	2 259	42 272
Others	97 562	
Debt securities		
Others	620 743	769 566
Shares and interests	4 204	0
Shares and interests in participating interest undertakings	3	3
Shares and participations in companies belonging to the same group	50	50
Derivative instruments	2 256	
Intangible assets	14 648	16 769
Other assets	424	665
Prepayments and accrued income	14 783	2 386
ASSETS, TOTAL	**2 066 127**	**1 209 765**

EQUITY AND LIABILITIES	31 Dec 2008	31 Dec 2007
LIABILITIES		
Liabilities to the public and public-sector entities	1 957 826	1 144 791
Deposits	1 944 667	1 134 885
Payable on demand	1 268 427	826 874
Others	676 241	308 011
Other liabilities	13 158	9 906
Payable on demand	12 259	9 433
Others	899	473
Derivatives and other liabilities held for trading	815	
Other liabilities		
Other liabilities	16 652	7 750
Accruals, deferred income and advances received	12 395	5143
Subordinated liabilities		
Capital loans	20 000	
LIABILITIES, TOTAL	2 007 688	1 157 684
ACCUMULATED APPROPRIATIONS		
Accelerated depreciation	2 872	2 844
ACCUMULATED APPROPRIATIONS, TOTAL	2 872	2 844
EQUITY		
Share capital	16 770	16 770
Share premium reserve	21 180	21 180
Other restricted reserves		
Fair value reserve		
On measurement at fair value	-7 693	-160
Non-restricted reserves		
Invested non-restricted equity reserve	41 618	21 618
Retained earnings	-10 170	-4 879
Profit/loss for the financial period	-6 137	-5 291
EQUITY, TOTAL	55 567	49 237
EQUITY AND LIABILITIES, TOTAL	**2 066 127**	**1 209 765**
OFF-BALANCE SHEET COMMITMENTS		
Commitments given on behalf of a customer		
Irrevocable	27 895	
Others	223 085	125 657

Income Statement

EUR thousands

	31 Dec 2008	31 Dec 2007
Interest income	76 652	12 283
Interest expenses	-51 093	-7 690
NET INTEREST INCOME	25 561	4 593
Fee and commission income	3 924	1 409
Fee and commission expenses	-853	-42
Net income from dealing in securities and foreign exchange		
Net income from dealing in securities	1 511	
Net income from available-for-sale financial assets	-483	21
Other operating income	1 032	6 650
Administrative expenses	-29 243	-14 164
Staff costs		
Salaries, wages and remuneration	-4 055	-3 425
Indirect staff costs		
Pension expenses	-771	-610
Other indirect staff costs	-192	-186
Other administrative expenses	-24 224	-9 944
Depreciation, amortisation and impairment losses on tangible and intangible assets	-3 557	-611
Other operating expenses	-1 831	-476
Impairment losses on loans and other receivables	-2 172	-240
OPERATING PROFIT (LOSS)	**-6 110**	**-2 859**
Appropriations	-28	-2 432
PROFIT (LOSS) FOR THE FINANCIAL PERIOD	**-6 137**	**-5 291**

Cash Flow Statement

EUR thousands

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Interest, fee and commission income	64 536	5 258
Interest, fee and commission expenses	-45 927	-4 164
Payments received on loans recorded as credit losses	94	40
Other income	620	886
Payments to suppliers of goods and services and personnel	-31 076	-14 424
	-11 753	-12 403
Increase (-) or decrease (+) in operating assets:		
Current assets	-4 009	-13 172
Net increase in credit card and overdraft receivables	-59 999	-25 689
Increase (-) or decrease (+) in operating liabilities:		
Deposits from customers	809 782	1 134 885
Current liabilities	13 388	16 893
Net cash provided by (used in) operating activities before income taxes	747 409	1 100 513
Income taxes	0	0
Net cash provided by (used in) operating activities	**747 409**	**1 100 513**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of shares in S-Asiakaspalvelu Oy	0	-50
Purchase of intangible assets	-1 436	-8 018
Net cash provided by (used in) investing activities	**-1 436**	**-8 068**
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in equity	20 000	27 013
Issue of loan on debenture terms	20 000	0
Net cash provided by (used in) financing activities	**40 000**	**27 013**
Net increase in cash and cash equivalents	785 973	1 119 459
Cash and cash equivalents at beginning of period	1 141 402	19 886
Cash and cash equivalents at end of period	1 927 375	1 141 402
Cash and cash equivalents of S-Etuluotto Oy at time of merger		2 057

Notes to the Financial Statements

The Company

S-Bank Ltd is a deposit bank that carries out credit institution operations according to the Credit Institutions Act (9.2.2007/121), offering its customers services related to saving, payments and the financing of purchases.

S-Bank's head office is located at the address Fleminginkatu 34, 00510 Helsinki. The bank does not have other branch offices. Under agency agreements, the S Group Companies also offer customer service at their locations.

The Executive Board approved the financial statements for the period 1 January – 31 December 2008 on 9 February 2009.

Accounting policies

The financial statements have been prepared, as appropriate, in accordance with the provisions of the Credit Institutions Act and the Ministry of Finance Decree on Financial Statements and Consolidated Financial Statements of Credit Institutions and Investment Firms (MFD) as well as the Finnish Financial Supervision Authority's regulations concerning the income statement, balance sheet and notes to the financial statements, effective as of 1 December 2005 and updated on 18 November 2008. In preparing the financial statements, the general instructions issued by the Finnish Accounting Standards Board (KILA) have also been taken into account as appropriate.

The financial statements have been prepared pursuant to the Financial Supervision Authority's regulations concerning market disclosure of capital adequacy information.

CONSOLIDATION

S-Asiakaspalvelu Oy is a wholly-owned subsidiary of S-Bank. Established on 8 August 2007, S-Asiakaspalvelu provides data-processing and other services related to a credit institution's core operations as a service company pursuant to the Credit Institutions Act (121/2007). The company is domiciled in Helsinki.

S-Asiakaspalvelu Oy's financial year is 1 January – 31 December.

Because of the limited extent of S-Asiakaspalvelu Oy's operations and balance sheet, S-Bank does not include the company in its consolidated financial statements. S-Bank has applied for permission for this procedure from the Financial Supervision Authority and received it.

S-Bank Ltd and S-Asiakaspalvelu Oy are consolidated within the Group named SOK Corporation.

ITEMS DENOMINATED IN FOREIGN CURRENCY

The financial statements are presented in euros. S-Bank does not have items denominated in foreign currency.

FINANCIAL ASSETS AND LIABILITIES

S-Bank Ltd applies settlement date practice in entering financial assets and liabilities in the balance sheet. An item belonging to financial assets or liabilities is entered in the accounts for the first time at fair value including transaction costs.

When being recorded for the first time, financial assets and liabilities are classified as financial assets or liabilities at fair value through profit or loss, financial assets held to maturity, available-for-sale financial assets, loans and other receivables as well as other financial liabilities. Financial assets and liabilities are measured, in accordance with their classification, at fair value or amortised cost using the effective interest method.

The fair value of a financial instrument is determined on the basis of prices quoted in active markets or using measurement methods that are generally employed in the markets. The fair value of certificates of deposit, commercial papers or interest rate swaps is determined by discounting future cash flows to the present value, applying market interest rates at the balance sheet date. Bonds and notes are measured at market prices. Financial assets and liabilities at fair value are measured using average rates.

Debt securities that are traded actively and have been acquired for short-term gain as well as derivative contracts not qualifying for hedge accounting are recorded in *financial assets and liabilities at fair value through profit or loss*. Derivative contracts are taken out primarily for hedging, but hedge accounting is not applied to them.

Financial assets or liabilities at fair value through profit or loss are measured at fair value. The change in fair value is entered in the income statement and the difference between the carrying amount, at the balance sheet date and previous balance sheet dates, of financial instruments recorded at fair value in the income statement is entered as revenue or expense for the financial period. If the financial instrument to be recorded at fair value has been purchased during the financial period, the difference between the value of the financial instrument at the balance sheet date and its cost is entered as revenue or expense for the financial period.

Debt securities and other non-derivative financial assets for which the payments are fixed or floating, which mature at a certain date and are held to maturity, are recorded in *held-to-maturity investments*. Held-to-maturity investments are measured at amortised cost using the effective interest method. Any impairment loss is recorded through profit and loss, and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract.

Financial assets which are not quoted on the secondary market, for which the payments are fixed or floating and which do not fall under financial assets at fair value through profit or loss, financial assets held to maturity or available-for-sale financial assets, are recorded in *loans and other receivables*. The transaction costs related to loans and other receivables are included in the amortised cost measured using the effective interest method and amortised through profit and loss over the term to maturity of the receivable. After recording for the first time, loans and other receivables are measured at amortised cost using the effective interest method.

An item included in *other financial liabilities* is measured at nominal value when its fair value is the nominal value. If the amount of the debt differs from the nominal value of the liability, the liability is entered at the amount received. The amount of the difference between the nominal value and acquisition cost of the liability recognised as income or expense for the financial period is amortised and entered as an increase or decrease of the purchase price of the liability. The difference between the nominal value and cost or a commission or similar expense related to the liability that is a part of liability-related interest expense, is amortised using the effective rate method over the term to maturity of the debt. Other financial liabilities are measured at the balance sheet date at amortised cost using the effective interest method.

Debt securities and other domestic and foreign securities not recoded in financial assets at fair value through profit or loss, held-to-maturity investments or loans and other liabilities are recorded in *available-for-sale financial assets*. Available-for-sale financial assets are measured at fair value. The fair value of available for sale financial asset is defined on the basis of their value on the secondary market. Assets which are not traded on the secondary market are measured by means of generally approved valuation methods in the market. If even this does not yield a fair value that can be defined reliably, the acquisition cost is used. The change in fair value is recorded directly in equity in the fair value reserve. When the financial instrument is sold, the cumulative change in fair value is recorded in equity together with accrued interest and capital gains or losses through profit and loss.

Impairment of financial assets

The Corporation assesses, at each balance sheet date, whether there is any objective evidence that the value of an item other than those classified as financial assets at fair value through profit or loss is impaired. Objective evidence is considered to be, for example, a customer's delay in payments, insolvency or being placed in bankruptcy, restructuring or consolidation of debt as well as a major change in the credit rating. If there is objective evidence of a lowering in value, an impairment loss is recorded.

The amount of an impairment loss on financial assets recorded at amortised cost is defined as the difference between the asset's carrying amount and the present value of estimated future cash flows from the recoverable amounts, taking into account the fair value of any guarantee. The discount rate applied is the original effective interest rate of the receivable. The difference is recorded as an impairment loss in the income statement, and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract. If the amount of an impairment loss decreases subsequently and the change can be attributed to an event that has taken place after the impairment loss has been recorded, the impairment loss is reversed.

The effective interest method must be adopted in the financial statements for 2009 at the latest in measuring the amortised cost. During the transition period underway, S-Bank does not apply the present value method at all. With regard to this, S-Bank estimates impairment losses group-specifically based on the other criteria for impairment presented above.

If there is objective evidence of the impairment of debt securities or shares included in available-for-sale financial assets, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement as an impairment loss. The impairment loss on a publicly unquoted share is defined as being the difference between the carrying amount and the present value of estimated future cash flows discounted at the market yield of a similar item at the reporting date. If, in a subsequent period, the fair value of debt securities classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recorded through profit or loss. If the fair value of a share increases in a subsequent period, the increase in value is recorded in equity.

LINKED DERIVATIVE

A linked derivative is a part of a hybrid instrument also containing a non-derivative main contract. Because of this, part of the cash flows of the hybrid instrument fluctuates in a manner similar to the cash flows of a standalone derivative. A linked derivative must be separated from the main contract and considered to be a derivative in accounting, provided that the requirements for separation stated in the standards issued by the Financial Supervision Authority are met. One such requirement is, for example, that the financial characteristics and risks of the linked derivative and the main contract are not closely linked.

During the financial period, S-Bank has obtained subordinated debenture loans that can be considered above-mentioned hybrid instruments due to the options entitling to repayment of debt before the maturity date included in the contracts. In addition, S-Bank has itself issued two debenture loans with similar terms.

S-Bank does not separate linked derivatives from the main contracts in the case of the above-mentioned debenture loans. The financial characteristics and risks are considered to be closely linked with the main contracts as the option exercise prices correspond to the amortised cost of the debt contracts at all exercise periods.

PRINCIPLES OF INCOME RECOGNITION

Interest income and expenses

Interest on financial assets and liabilities is periodised as interest income and interest expenses for the financial periods to which they are to be allocated over time.

Fee and commission income and expenses

Fee and commission income and expenses arise from services offered to customers and from the resources needed to provide these services. Fee and commission income and expenses are recorded when the services associated with them are rendered. Income and expenses for services that are provided over several years are allocated to the appropriate years.

INTANGIBLE ASSETS

Intangible assets consist of licence fees for software as well as connection charges. The capitalised expenses of software are also included in the costs arising from modification on the software licensed to S-Bank. Intangible assets are measured at cost and they are amortised using the straight line method over their estimated economic lives.

Amortisation periods for intangible assets:

Software license fees	5 years
Connection charges	5 years

INCOME TAXES

Income taxes include current taxes for the financial period as well as corrections to taxes for previous periods. The tax effect of items to be recorded directly in equity is entered, correspondingly, directly in equity. Taxes are calculated using the tax rates in force at the balance sheet date and, if there is a change in tax rates, at the new rate that has been announced.

Deferred tax assets or liabilities are not presented in S-Bank Ltd's income statement and balance sheet. Deferred tax assets and liabilities that are material in amount are presented in the specification of taxes in the notes to the financial statements.

Risk management

Risk is an integral part of a business endeavour. Risk management aims to support the achievement of business objectives by ensuring that risks are identified and their impacts analysed as well as by supervising that the risks assumed are in a correct proportion to the bank's risk-bearing capability.

S-Bank has a risk management policy confirmed by the bank's Executive Board that defines the purposes and principles of risk management as well as the roles and responsibilities in risk management and the risk management organisation. In addition, the policy defines S-Bank's main types of risks and their management, limitation and reporting. In accordance with the policy, risks are measured and reported in a manner that gives decision-makers sufficient and relevant information on operational risks and their management.

Organisation of risk management

The highest decision making power is exercised by S-Bank's Executive Board. In accordance with the risk management policy, the Executive Board confirms the principles and guidelines of risk management. The Executive Board also decides on risk strategies and the way in which risk management and internal audit are organised within S-Bank. In addition, the Executive Board confirms the risk limits as well as decides on the level of the bank's risk-taking bias and risk-bearing capability, along with the necessary amount of risk capital.

The Executive Board has set up a Credit and Risk Management Committee to monitor risks. The main task of the Credit and Risk Management Committee is to maintain risk management and its development within S-Bank. The Credit and Risk Management Committee is also responsible for allocating risk capital and limits to different types of risks in accordance with the instructions issued by the Executive Board.

The adopted risk management policy specifies that line managers are responsible for attending to S-Bank's ongoing operations in accordance with the risk management principles and methods set out in the policy. The Managing Director has the duty of seeing to it that the responsibilities and authorisations set out in the organisational structure are defined appropriately and clearly. The head of each business unit is responsible for ensuring that the business is carried on in accordance with S-Bank's guidelines and principles. In addition, they are responsible for their own business area's risks within the limits set.

S-Bank's risk monitoring function is a unit that is independent from business operations. According to the tasks defined in the risk management policy, it maintains, develops and prepares risk management principles as well as formulates methods for measuring, assessing and reporting on risks to the Credit and Risk Management Committee and to the Executive Board. The risk monitoring function furthermore oversees the observance of risk management principles and limits as well as reports on risks to the management, the Credit and Risk Monitoring Committee, the Executive Board and the authorities. The risk monitoring function also supports the business areas in identifying new risks.

The internal audit assists the Executive Board and the Managing Director in overseeing and securing the operations of the bank by performing audits on the bank's functions.

Risk concepts

In S-Bank's risk management, risks are divided into three main categories as follows: strategic and business risks, financing risks and operational risks.

Strategic risks refer to variation in actual performance compared to performance targets due to the choice and execution of strategy. Business risk, on the other hand, is defined as uncertainty related to income formation caused by changes in the operating environment, such as market and competitive situations, economic fluctuations, changes in customer behaviour and development of technology.

Financing risks are divided into market, credit and banking book risks. Market risk refers to trading portfolio-related risk from fluctuations in market prices in the bank's own investments either in the balance sheet items or off-balance sheet financial instruments. Credit risk is the risk of a debtor, issuer or other counterparty not fulfilling its contractual obligations. Banking book risks are caused by the exposure of the balance sheet structure to market changes. Banking book risks are divided into two risk areas, liquidity risk and market price risks.

- Liquidity risk is the risk of S-Bank not being able to fulfil its obligations.
- The banking book market price risk means the interest rate risk of the impacts on the balance sheet being asymmetric due to changes in the interest curve.

Operational risks refer to the risk of the materialisation of a loss due to insufficient or defective internal processes, personnel, systems, external factors or legal risks.

BUSINESS RISKS

Business risks and the associated reputation risks and risks of changes in the operating environment are managed through self assessment whereby the probabilities and degrees of significance are defined for the risks in relation to strategic objectives. The financial impact of risks thus identified is assessed and measures for managing risks are defined. In addition, business risks are managed by making annual scenario analyses based on business plans and profit and loss statements, assessing the impacts of changes in the business environment on the bank's balance sheet, profitability and capital adequacy.

The risk control function reports to the bank's Executive Board and to the Credit and Risk Management Committee on identified business risks and measures for managing them as well as the results of the scenario analyses. The Executive Board approves the measures for managing risks.

FINANCING RISKS

Credit risks

In S-Bank, credit risks arise primarily from the card business, lending to S Group companies and through treasury activities.

Management of credit risk

Credit risk is managed within the framework of the principles and limits of the granting of credit, which are defined in the credit policy and risk management policy. The Credit and Risk Management Committee appointed by the Executive Board is responsible for monitoring S-Bank's lending. The risk monitoring function oversees the implementation of credit policy and risk management policy as well as credit risk exposures and reports on the credit risks to the Executive Board, the Credit and Risk Management Committee and the management.

S-Bank's primary target group consists of the customer owners of the S Group Companies. In the granting of credit for lending purposes, particular attention is paid to the prospective borrowers' repayment ability. For retail customers, S-Bank assesses creditworthiness by dividing customers into risk categories according to different characteristics, making use of a scoring system. For corporate customers, a similar creditworthiness assessment is made, among other things, on the basis of financial statements as well as Trade Register and Credit Register information and, if necessary, using a credit rating given by a credit rating company.

In treasury activities, S-Bank's counterparties are well-known, highly reputable and financially solid banks, securities brokerages, companies or other professionally operating institutions in the financial markets. The counterparties are also companies belonging to the S Group and other counterparties approved by S-Bank's Executive Board, for whom a separate credit-line decision has been taken. Concentration risk is managed by counterparty limits. In defining the counterparty limits, the credit risk of possible counterparties is assessed, mainly on the basis of credit ratings given by credit rating companies. During the financial period, treasury activities have been markedly cautious, and assets have been invested in instruments offering the highest possible safety, having a good credit rating and which are as liquid as possible.

The bank's credit control function is responsible for daily credit monitoring. If a customer fails to meet the obligations according to the agreed schedule, the credit control initiates payment reminder and collection measures.

Receivables that have fallen due at the balance sheet date comprise S-Bank's most significant evidence for an impairment loss assessment. Impairment losses are measured at the amount corresponding to the best estimates when all relevant information on the situation at the closing date has been taken into consideration. If the amount of the impairment loss, objectively assessed, decreased in a subsequent financial period, the recorded impairment loss is reversed to the extent in question.

In its financial statements, S-Bank estimates its impairment only on a product-specific basis, as with the bank's current products a single receivable is not significant as such. The bank recorded a total of EUR 2.1 million (0.2) of impairment losses on lending in its financial statements. All of the impairment losses were group-specific.

S-Bank did not record impairment losses on investment activities. Even though the value of available for sale portfolio has decreased, S-Bank estimates that when the investments mature, full interest and capital will be gained in accordance with the contract. Impairment is presented in the financial statements under impairment losses on loans and other receivables.

Capital adequacy assessment

In assessing the capital adequacy requirement, S-Bank uses the standard method, In the standard method, first the exposure value is defined for the asset items subject to the capital adequacy requirement, after which the exposure values are multiplied by risk weighting factors and then by the capital adequacy requirement, which yields the total amount of own funds required to cover the credit risk.

In determining the risk weightings to be used in assessing capital adequacy, S-Bank uses credit rating institutions approved by the Financial Supervision Authority. The counterparty's Standard & Poor's credit rating is primarily notified. If it is not available, the credit rating of Moody's Investors Service or, if there is not one, the Fitch Ratings credit rating will be used.

The ratings of the above-mentioned credit rating institutions are used in determining the risk weightings for general government and central banks, credit institutions and investment services companies and companies. If, however, the asset item in question belongs to a special issuance programme or arrangement for which a specific credit rating is available, this credit rating is used in determining the risk weighting. Items of this kind are reviewed when purchasing financial instruments and subsequently if necessary, should there be indications of changes in the credit rating.

Calculating capital adequacy for counterparty risk is part of the standard method for credit risk. The capital adequacy requirement due to counterparty risk is calculated for derivative instruments, credit derivative instruments included in the trading book, transactions with a long settlement time and transactions connected with the asset-backed trading book. During the financial year now ended, S-Bank did not have derivative contracts with an exposure value of more than EUR 2.3 million at the end of the period.

In calculating the capital adequacy requirement for credit risk using the standard method, credit risk mitigation techniques can be used, such as real collateral, guarantees, credit derivatives and netting contracts. During the financial year now ended, the bank's capital adequacy requirement for credit risk has been decreased by the use of guarantees given by states to banks' funding.

S-Bank's risk exposure in 2008

The maximum amount of S-Bank's exposure at the end of the financial period was EUR 2,302.5 million (1,318.7) including off-balance sheet commitments. Owing to the nature of operations, by far the most significant item was Receivables from credit institutions and investment services companies, totalling EUR 1,703.9 million (1,006.1). Receivables from companies amounted to EUR 96.4 million (161.0) and retail receivables from households totalled EUR 45.3 million (20.3). Receivables due comprised a EUR 1.8 million (0.7) item. Non-performing assets amounted to EUR 4.1 million (0.3).

Analysed by risk weighting, S-Bank's exposure fell predominantly into the 20% loan category, where the bank mainly recorded receivables from other credit institutions. In the category with a risk weighting of 100%, the bank recorded primarily receivables from companies, whereas the lowest category consisted of receivables from central banks, credit institutions' bonds that are guaranteed by government and off-balance sheet items. Retail banking receivables made up the 75% item and debt securities issued by well-rated companies comprised the 50% item. Receivables due were recorded in the 150% item.

Exposures (EUR million)

	Total amount of exposures		Average value of exposures during the financial period	
	2008	**2007**	**2008**	**2007**
Receivables from general government and central banks	161.6	1.8	81.7	**0.9**
Receivables from public sector entities and public law institutions	0.0	0.0	0.0	**0.0**
Receivables from credit institutions and investment services companies	1 703.8	1 006.1	1 355.0	**513.0**
Receivables from companies	96.4	161.0	128.7	**80.5**
Retail receivables	45.3	20.3	32.8	**10.2**
Receivables due	4.1	0.7	2.4	**0.4**
Covered bonds	23.0	0.0	11.5	**0.0**
Investments in investment funds	4.2	0.0	2.1	**0.0**
Other items	13.1	3.1	8.1	**1.7**
Off-balance sheet items	251.0	125.7	188.3	**62.9**
Total	**2 302.5**	**1 318.7**	**1 810.6**	**669.6**

Maturity distribution of receivables (EUR million) in 2008

	less than 3 months	3-12 months	1-5 years	5-10 years	Total
Receivables from general government and central banks	161.6	0.0	0.0	0.0	**161.6**
Receivables from public sector entities and public law institutions	0.0	0.0	0.0	0.0	**0.0**
Receivables from credit institutions and investment services companies	285.6	498.1	920.0	0.0	**1 703.8**
Receivables from companies	66.4	21.0	9.0	0.0	**96.4**
Retail receivables	5.6	27.3	12.3	0.0	**45.3**
Receivables due	4.1	0.0	0.0	0.0	**4.1**
Covered bonds	0.0	2.0	21.0	0.0	**23.0**
Investments in investment funds	0.0	0.0	4.2	0.0	**4.2**
Other items	7.1	6.1	0.0	0.0	**13.1**
Off-balance sheet items	223.1	0.0	27.9	0.0	**251.0**
Total	**753.5**	**554.5**	**994.5**	**0.0**	**2 302.5**

Maturity distribution of receivables (EUR million) in 2007

	less than 3 months	3-12 months	1-5 years	5-10 years	Total
Receivables from general government and central banks	1.8	0.0	0.0	0.0	**1.8**
Receivables from public sector entities and public law institutions	0.0	0.0	0.0	0.0	**0.0**
Receivables from credit institutions and investment services companies	431.2	496.1	78.8	0.0	**1 006.1**
Receivables from companies	115.1	40.9	5.0	0.0	**161.0**
Retail receivables	6.5	5.2	8.5	0.1	**20.3**
Receivables due	0.7	0.0	0.0	0.0	**0.7**
Covered bonds	0.0	0.0	0.0	0.0	**0.0**
Investments in investment funds	0.0	0.0	0.0	0.0	**0.0**
Other items	2.3	0.8	0.0	0.0	**3.1**
Off-balance sheet items	125.7	0.0	0.0	0.0	**125.7**
Total	**683.3**	**543.0**	**92.3**	**0.1**	**1 318.7**

Receivables due (EUR million) 2008

	less than 30 days	30-90 days	more than 90 days	Of which impaired	Total
Balance sheet item					
Receivables from the public and public sector entities	1.2	0.6	4.1	2.1	3.8

Receivables due (EUR million) 2007

	less than 30 days	30-90 days	more than 90 days	Of which impaired	Total
Balance sheet item					
Receivables from the public and public sector entities	0.3	0.4	0.3	0.2	0.8

Receivables by loan category (EUR million)

	Exposure value	
Loan category	**2008**	**2007**
0 %	460.7	127.5
10 %	23.5	0.0
20 %	1 637.5	1 005.1
50 %	5.1	9.9
75 %	45.3	20.3
100 %	126.4	155.9
150 %	4.1	0.0
Total	**2 302.5**	**1 318.7**

Geographically, Finland was the most significant country with regard to exposures. In addition to Finland, the exposures mainly concern other Nordic countries and EU Member States. The exposures have been categorised geographically according to the issuer's country of origin. For affiliates, the geographical division is based on the parent company's country of origin. With regard to retail banking exposures, the bank's clientele is very much spread out so no concentrations of risk exposure emerge for it, either.

In terms of branch categories, the majority of exposures fell in counterparties engaged in financing activities.

Market risk limits in the banking book

In managing the risks in the banking book,

Geographic distribution of receivables (EUR million) 2008

	Finland	Nordic countries	Other EU Member States	Other countries *
Receivables from general government and central banks	161.6	0.0	0.0	0.0
Receivables from public sector entities and public law institutions	0.0	0.0	0.0	0.0
Receivables from credit institutions and investment services companies	460.4	555.1	608.3	80.0
Receivables from companies	91.4	5.0	0.0	0.0
Retail receivables	45.3	0.0	0.0	0.0
Receivables due	4.1	0.0	0.0	0.0
Covered bonds	2.0	18.5	2.5	0.0
Investments in investment funds	0.0	0.0	4.2	0.0
Other items	3.7	3.4	5.2	0.8
Off-balance sheet items	251.0	0.0	0.0	0.0
Total	**1 019.5**	**582.0**	**620.2**	**80.8**

* Other countries = Switzerland, Canada and Australia

Geographic distribution of receivables (EUR million) 2007

	Finland	Nordic countries	Other EU Member States	Other countries *
Receivables from general government and central banks	1.8	0.0	0.0	0.0
Receivables from public sector entities and public law institutions	0.0	0.0	0.0	0.0
Receivables from credit institutions and investment services companies	652.2	219.3	124.6	10.0
Receivables from companies	151.1	9.9	0.0	0.0
Retail receivables	20.3	0.0	0.0	0.0
Receivables due	0.7	0.0	0.0	0.0
Covered bonds	0.0	0.0	0.0	0.0
Investments in investment funds	0.0	0.0	0.0	0.0
Other items	1.4	0.6	1.0	0.1
Off-balance sheet items	125.7	0.0	0.0	0.0
Total	**953.2**	**229.8**	**125.6**	**10.1**

* Other countries = Switzerland

Breakdown of exposures by branch of business (EUR million)

	31.12.2008	31.12.2007
Financial intermediation	1 905.8	1 017.2
Wholesale and retail trade	212.3	102.0
Real estate, renting and research services	4.4	20.6
Electricity, gas and water supply	5.1	24.8
Manufacturing	39.8	70.5
Mining and excavation	0.0	9.9
Construction	0.9	7.5
Others	3.1	2.8
No branch category *	131.1	63.4
Total	**2 302.5**	**1 318.7**

* Exposures not falling into the branch categories include retail receivables, receivables due and other items.

S-Bank aims to manage unexpected changes in the bank's net interest income and maximise the return on equity within the specified market risk limits.

In accordance with the confirmed risk management policy, interest rate risk in the banking book is monitored monthly by means of interest rate gap analysis, in which liabilities and receivables are grouped into time periods on the basis of their interest rate maturities. The effects of changes in parallel interest rate curves on the bank's interest rate risk exposure are monitored regularly. The effect of changes in the interest rate on the market value of balance sheet items is also monitored. Internal transfer pricing is used to support the management of the interest rate risk in the banking book.

Interest-bearing financial assets and liabilities (EUR million) 2008

Balance sheet item/ Next interest rate fixing dates	0-1 months	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	more than 5 years	Total
Liquid assets	28.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**28.5**
Receivables from credit institution	135.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**135.4**
Receivables from the public and public sector entities	68.6	24.2	2.5	4.5	0.0	0.0	0.0	0.0	**99.8**
Debt securities	455.0	872.8	106.2	19.8	195.2	45.2	71.9	0.0	**1 766.1**
Total receivables	**687.5**	**897.0**	**108.7**	**24.3**	**195.2**	**45.2**	**71.9**	**0.0**	**2 029.8**
Liabilities to the public and public-sector entities	-1 460.3	-141.9	-164.4	-88.6	-87.6	-9.2	-5.8	0.0	**-1 957.8**
Total liabilities	**-1 460.3**	**-141.9**	**-164.4**	**-88.6**	**-87.6**	**-9.2**	**-5.8**	**0.0**	**-1 957.8**
Receivables and liabilities, total	**-772.8**	**755.1**	**-55.7**	**-64.3**	**107.6**	**36.0**	**66.1**	**0.0**	**71.9**

Interest-bearing financial assets and liabilities (EUR million) 2007

Balance sheet item/ Next interest rate fixing dates	0-1 months	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	more than 5 years	Total
Liquid assets	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**1.7**
Receivables from credit institution	197.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**197.4**
Receivables from the public and public sector entities	11.8	20.3	2.5	3.7	4.0	0.0	0.0	0.0	**42.3**
Debt securities	172.0	249.1	229.1	104.2	147.2	16.8	30.0	0.0	**948.5**
Total receivables	**382.9**	**269.4**	**231.6**	**107.9**	**151.2**	**16.8**	**30.0**	**0.0**	**1 189.9**
Liabilities to the public and public-sector entities	-927.8	-59.1	-55.5	-25.9	-28.1	-39.4	-8.3	-0.6	**-1 144.6**
Total liabilities	**-927.8**	**-59.1**	**-55.5**	**-25.9**	**-28.1**	**-39.4**	**-8.3**	**-0.6**	**-1 144.6**
Receivables and liabilities, total	**-544.9**	**210.3**	**176.1**	**82.0**	**123.1**	**-22.6**	**21.7**	**-0.6**	**45.3**

Maturity distribution of derivatives (EUR million)

	Less than 1 year	1-5 years	More than 5 years
Interest rate swaps	273.4	14.0	0

Derivative instruments 31 Dec 2008

Not for hedging purposes (EUR million)

	Negative Nominal value	Positive fair value	fair value
Interest rate swaps	287.4	0.8	2.3

S-Bank uses derivative instruments as part of its risk management. During the financial period 2008, the bank entered into interest rate swaps as a part of its balance sheet management. The counterparts were separately selected banks. S-Bank does not apply hedge accounting.

Liquidity risks

The objective in managing liquidity risk is to ensure that the bank is able, with a sufficient probability, to meet its payment obligations also in crisis situations and that the funding required for the bank's operations is obtained as cost-effectively as possible. Liquidity risk is divided into short-term liquidity risk and longer-term refinancing risk.

Under the risk management policy, the amount of liquidity risk is assessed using several scenarios, and liquidity limits are set in such a way that the bank is able to cover its liquidity needs even when disturbances emerge.

Liquidity and refinancing risks are tracked monthly using gap analysis, in which assets and liabilities are grouped into time periods according to maturity. Liquidity is managed with a liquidity portfolio, and the bank's Executive Board has set its target amount at EUR 100 million. At the end of the financial period, the liquidity portfolio amounted to EUR 333.3 million. Liquidity risk is managed also by ensuring that the portfolios contain a sufficient amount of debt securities eligible for refinancing with central banks.

OPERATIONAL RISKS

The aim of the management of operational risks is to cost-efficiently optimise operational risks and unforeseen losses that compromise the achievement of business objectives and to ensure disturbance-free and continuous operations.

S-Bank has specified four key elements in the management of operational risks for identifying, analysing, managing, tracking and monitoring operational risks arising in the bank's operations.

- An approval process of a new product or service is used to assess the risks associated with a new product or service prior to its implementation.
- Self-assessment and tracking of operational risks aims to identify and assess the main operational risks, the probabilities and impacts of their occurrence as well as to define tools for mitigating, transferring or eliminating risk.

Maturity distribution of financial assets and liabilities (EUR million) 2008

Balance sheet item	0-1 months	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	more than 5 years	Total
Liquid assets	28.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**28.5**
Receivables from credit institutions	135.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**135.4**
Receivables from the public and public sector entities*	38.9	19.2	10.4	7.9	12.4	6.0	5.1	0.0	**99.8**
Debt securities	117.8	193.4	172.1	57.6	275.2	697.4	245.7	7.0	**1 766.1**
Total receivables	**320.5**	**212.6**	**182.5**	**65.5**	**287.6**	**703.4**	**250.8**	**7.0**	**2 029.8**
Liabilities to the public and public-sector entities**	-1 460.3	-139.3	-167.0	-88.6	-87.6	-9.2	-5.8	0.0	**-1 957.8**
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0	**-20.0**
Total liabilities	**-1 460.3**	**-139.3**	**-167.0**	**-88.6**	**-87.6**	**-9.2**	**-5.8**	**-20.0**	**-1 957.8**
Receivables and liabilities, total	**-1 139.8**	**73.3**	**15.4**	**-23.2**	**200.0**	**694.2**	**245.0**	**-13.0**	**71.9**

* Receivables due and non-performing assets are reported under the shortest maturity

** Current accounts reported under the shortest maturity

- Incident reporting on operational risks gathers information on anomalous events that have occurred, materialised risks and "close call" situations.
- The self-assessment of risks also involves identifying risk indicators that forecast the level of operational risks, and these are monitored by the heads of the banks functions.

S-Bank has outsourced part of the management of operational risks to SOK's Risk Management unit, which has a special supervisory focus on operational risks that are detected in the S Group Companies, which are acting as agents for S-Bank. S-Bank's risk control function co-ordinates the entire management of operational risks and reports on risks to S-Bank's Executive Board and Credit and Risk Management Committee.

S-Bank calculates the capital adequacy requirement for operational risks according to the basic method. In the basic method, the capital adequacy requirement is calculated from the confirmed financial statements for the three previous financial years by means of a yield indicator.

Expenses arising from operational risks were minor during the 2008 financial period.

Legal risks

In order to manage legal risks, S-Bank's Legal Affairs, Compliance and Collection unit takes part in the preparation of agreements and legal acts binding on the bank. During 2008, the bank entered into nearly fifty non-customer agreements. The bank's legal affairs staff drafted these agreements for the bank. During 2008, the bank was not a party to any court proceedings.

Agreements are archived both in electronic and physical form. The standard terms and conditions of customer agreements have been approved by the Financial Supervision Authority with regard to their terms of account-use and presented to the Financial Supervision Authority with regard to the other terms. The comments made by the supervisory authority are taken into account in the terms and conditions. The needs for revising the terms and conditions are reviewed regularly and the terms are updated to correspond to the comments on proposed changes that are received from the Financial Supervision Authority. Brochures and advertising material published by the bank is reviewed by the bank's legal staff prior to publication. Changes in legislation are monitored by means of an electronic basic service that has been purchased from a supplier and, furthermore, changes relating to disbursements and payment systems by participating in the Federation of Finnish Financial Services' joint activities concerning this.

Shares not included in the trading book: Investments in non-listed companies

S-Bank holds shares in the following non-listed companies: S-Crosskey Ab and S-Asiakaspalvelu Oy, which is the bank's wholly-owned subsidiary. The shareholding in S-Crosskey Ab is strategic by nature.

Investments are recorded at cost in the balance sheet. Subsequently, the investments are measured at fair value. As the investments are in non-listed companies, the fair value is derived from the net asset value.

The investments totalled EUR 0.1 million (0.1) in the financial statements, and the fair value of the investments was EUR 0.1 million (0.1).

There are no unrealised profits or losses or hidden profits or losses not recorded in the balance sheet and profit or loss

Maturity distribution of financial assets and liabilities (EUR million) 2007

Balance sheet item	0-1 months	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	more than 5 years	Total
Liquid assets	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**1.7**
Receivables from credit institutions	197.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**197.4**
Receivables from the public and public sector entities*	10.1	11.8	4.2	1.7	5.7	3.4	5.1	0.1	**42.3**
Debt securities	131.1	203.2	234.1	104.2	192.2	45.8	37.0	1.0	**948.5**
Total receivables	**340.3**	**215.0**	**238.4**	**105.9**	**197.9**	**49.2**	**42.1**	**1.0**	**1 189.9**
Liabilities to the public and public-sector entities**	-927.8	-59.1	-55.5	-25.9	-28.1	-39.4	-8.3	-0.6	**-1 144.8**
Subordinated liabilities									**0.0**
Total liabilities	**-927.8**	**-59.1**	**-55.5**	**-25.9**	**-28.1**	**-39.4**	**-8.3**	**-0.6**	**-1 144.8**
Receivables and liabilities, total	**-587.5**	**155.9**	**182.8**	**80.0**	**169.8**	**9.8**	**33.9**	**0.4**	**45.1**

* Receivables due and non-performing assets are reported under the shortest maturity

** Current accounts reported under the shortest maturity

Notes to Balance Sheet items

EUR thousands

1. Receivables from credit institutions

31 Dec 2008	Payable on demand	Not payable on demand	Total
From the central bank	28 470	0	28 470
From Finnish credit institutions	2 360	133 000	135 360
Receivables from credit institutions, total	**30 831**	**133 000**	**163 831**

31 Dec 2007	Payable on demand	Not payable on demand	Total
From the central bank	1 696	0	1 696
From Finnish credit institutions	197 433	0	197 433
Receivables from credit institutions, total	**199 130**	**0**	**199 130**

2. Receivables from the public and public sector entities	**31 Dec 2008**	**31 Dec 2007**
Companies and housing associations	50 438	21 093
Financial and insurance institutions	2 048	61
Public sector institutions	91	77
Households	47 230	21 017
Non-profit organisations serving households	14	25
Foreign countries	0	0
Total	**99 821**	**42 272**

There are no unallocated credit loss provisions.

impairment losses at beginning of year	**205**	**0**
Receivable-specific impairment losses recorded in the period	0	0
Group-specific impairment losses recorded in the period	2 112	205
Group-specific impairment losses reversed in the period	-205	0
Receivable-specific impairment losses reversed in the period	0	0
Impairment losses at end of year	**2 112**	**205**

3. Debt securities	**31 Dec 2008**	**31 Dec 2007**
Debt securities not issued by public-sector entities	**Others**	**Others**
Held to maturity	**0**	**0**
Certificates of deposit	0	0
Commercial papers	0	0
Bonds issued by banks	0	0
Other debt securities	0	0
Available-for-sale	**1 766 106**	**948 490**
Bank certificates of deposit	513 414	590 501
Commercial papers	27 897	134 877
Debt securities issued by banks	1 213 839	159 961
Other debt securities	10 958	63 152
Debt securities, total	**1 766 106**	**948 490**
- of which eligible for refinancing with central banks	1 145 364	178 924
- of which subordinated debt	7 682	982

4. **Shares and interests**	**31 Dec 2008**	**31 Dec 2007**
Shares and interests		
Available-for-sale	4 204	0
Shares and participations in companies belonging to the same group	50	50
Shares and interests in participating interest undertakings	3	3
Total	**4 257**	**53**
- of which at cost	4 257	53

All shares and interest are held in non-listed companies
No holdings in credit institutions.

5. **Derivatives**		**31 Dec 2008**	
Not for hedging purposes	**Nominal value**	**Positive fair value**	**Negative fair value**
Interest rate swaps	287 400	2 256	-815

Of the nominal value of derivatives, EUR 273,400,000 matures in less than 1 year and EUR 14,000,000 in 1-5 years.

6. **Intangible assets**	**31 Dec 2008**	**31 Dec 2007**
Capitalised IT expenditure	11 448	13 569
Other intangible assets	3 200	3 200
Total	**14 648**	**16 769**

7. **Changes in intangible and tangible assets during the financial period**	**31 Dec 2008**	**31 Dec 2007**
Advance payments for intangible assets		
Acquisition cost, 1 January	105	9 077
Increase	1 155	5 895
Decrease	0	0
Transfers between items	0	-14 867
Acquisition cost 31 December	1 260	105
Carrying amount 31 December	1 260	105
Intangible assets		
Acquisition cost 1 January	18 274	0
Increase	281	3 407
Decrease	0	0
Transfers between items	0	14 867
Acquisition cost 31 December	18 555	18 274
Accumulated amortisation and impairment losses, 1 Jan	-1 610	0
During the period	-3 557	-1 610
Accumulated amortisation 31 Dec	-5 167	-1 610
Carrying amount 31 December	13 388	16 664
Intangible assets, total, 31 December	**14 648**	**16 769**

8. **Other assets**		
Payment transfer receivables	0	0
Others	424	665
Total	**424**	**665**

9. Prepayments and accrued income	31 Dec 2008	31 Dec 2007
Interest income	14 484	2 175
Other prepayments and accrued income	300	211
Total	**14 783**	**2 386**

10. Tax assets and deferred taxes	31 Dec 2008	31 Dec 2007
Tax assets on losses	5 077	3 484
On confirmed losses	3 484	605
Tax assets on fair value reserve	2 000	42
Deferred taxes on depreciation difference	747	739

11. Other liabilities	31 Dec 2008	31 Dec 2007
Payment transfer liabilities	8 065	2 482
Others	8 587	5 269
Other liabilities, total	**16 652**	**7 750**

12. Accruals, deferred income and advances received	31 Dec 2008	31 Dec 2007
Interest liabilities	9 803	3 784
Other accrued expenses and deferred income	2 592	1 358
Total	**12 395**	**5 143**

13. Subordinated liabilities

	31 Dec 2008			
	Carrying amount	**Nominal value**	**Interest rate**	**Maturity date**
Loan on debenture terms I/2008	15 187	15 000	Euribor 3 month + 0,5 %	15 Jan 2018
Loan on debenture terms II/2008	5 009	5 000	Euribor 3 month + 0,75 %	15 Sep 2018

Terms of both loans

The issuer reserves the right to repurchase the loan before the maturity date. The issuer or an affiliated company may repurchase the loan only to a minor extent before the end of the loan period without the approval of the Financial Supervision Authority. The repurchase requires that the loans can be resold to a new investor within a short period. The noteholder does not have the right to require that the loan be paid back prematurely. The loan is subordinated to the bank's other debt obligations. The loans on debenture terms I/2008 and II/2008 are included in full in lower Tier II own funds in S-Bank's capital adequacy assessment.

14. Maturity breakdown of financial assets and liabilities

31 Dec 2008

	Less than 3 months	3-12 months	1-5 yrs.	5-10 yrs.	More than 10 yrs.	Total
Liquid assets	28 470	0	0	0	0	28 470
Debt securities eligible for refinancing with central banks	39 804	188 954	916 605	0	0	1 145 364
Receivables from credit institutions	135 360					135 360
Receivables from the public and public sector entities	54 580	33 436	11 764	42	0	99 821
Debt securities	171 910	415 400	33 433	0	0	620 743
Liabilities to the public and public sector entities	1 599 547	343 251	15 028			1 957 826
Subordinated liabilities				20 000		20 000

31 Dec 2007

	Less than 3 months	3-12 months	1-5 yrs.	5-10 yrs.	More than 10 yrs.	Total
Liquid assets	1 696	0	0	0	0	1 696
Debt securities eligible for refinancing with central banks	21 204	74 929	82 791	0	0	178 924
Receivables from credit institutions	197 433	0	0	0	0	197 433
Receivables from the public and public sector entities	21 296	11 987	8 934	55	0	42 272
Debt securities	313 041	455 544	982	0	0	769 566
Liabilities to the public and public sector entities	986 907	109 578	47 672	634	0	1 144 791
Subordinated liabilities	0	0	0	0	0	0

15. Breakdown of balance sheet items into domestic amounts and where counterparty is a group entity

	31 Dec 2008		31 Dec 2007	
Liquid assets	**Domestic currency**	**From a company belonging to the same group**	**Domestic currency**	**From a company belonging to the same group**
Domestic currency	28 470		1 696	
Receivables from credit institutions	135 360		197 433	
Receivables from the public and public sector entities	99 821	174	42 272	548
Debt securities	1 766 106		948 490	
Derivative instruments	2 256		0	
Shares and interests	4 257	50	53	50
Intangible assets	14 648		16 769	
Other assets	15 208	93	3 051	128
Total	**2 066 127**	**317**	**1 209 765**	**727**
Liabilities to the public and public sector entities	1 957 826	42 484	1 144 791	56 970
Derivative instruments	815		0	
Other liabilities	49 047	20 975	12 893	1 095
Total	**2 007 688**	**63 459**	**1 157 684**	**58 065**

The balance sheet items contains no items in foreign currencies.

16. Fair value measurement on a basis other than market value, and fair value changes recognised in the income statement

If the fair value of a financial instrument cannot be determined on the basis of prices quoted in active markets, valuation methods that are generally accepted in the markets can be used as an aid in determining fair value. The fair value of financial assets and liabilities is determined by discounting future cash flows to the present value, applying market interest rates at the balance sheet date. Such changes in fair value for the 2008 and 2007 financial periods have not been entered in the income statement..

17. Financial assets measured at cost instead of fair value

Nothing to report

18. Fair values and carrying amounts of financial assets and liabilities

	31 Dec 2008		31 Dec 2007	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liquid assets	28 470	28 470	1 696	1 696
Receivables from credit institutions	135 360	135 360	197 433	197 437
Receivables from the public and public sector entities	99 821	100 130	42 272	42 411
Debt securities*	1 766 106	1 766 106	948 490	948 490
Shares and interests	4 204	4 204	0	0
Shares and interests in participating interest undertakings	3	8	3	3
Shares and participations in companies belonging to the same group	50	50	50	50
Derivative instruments	2 256	2 256	0	0
* The fair value of bonds does not include accrued interest.				
Financial liabilities				
Liabilities to the public and public sector entities	1 957 826	1 972 735	1 144 791	1 147 869
Derivatives and other liabilities held for trading	815	815	0	0
Subordinated liabilities	20 000	17 210	0	0

19. Equity items

	31 Dec 2008	31 Dec 2007
Share capital, 1 Jan.	16 770	8 825
Lisäys	0	7 945
Share capital, 31 Dec	**16 770**	**16 770**
Share premium reserve, 1 Jan	21 180	21 180
Increase	0	0
Share premium reserve, 31 Dec	**21 180**	**21 180**
Fair value reserve, 1 Jan	-160	1
Decrease	-7 533	-161
Fair value reserve, 31 Dec	**-7 693**	**-160**
Invested non-restricted equity reserve, 1 Jan	21 618	
Increase	20 000	19 068
Merger entry, 31 July		2 550
Invested non-restricted equity reserve, 31 Dec	**41 618**	**21 618**
Loss from previous periods, 1 Jan	-10 170	-2 329
Merger entry, 31 July		-2 550
Loss from previous periods, 31 Dec	-10 170	-4 879

	31 Dec 2007	31 Dec 2007
Profit/loss for the financial period	-6 137	-5 291
Total	**55 567**	**49 237**
Non-distributable items included in non-restricted equity	0	0

20. Share capital

3,354 shares at EUR 5,000 each, totalling EUR 16,770,000.

No share classes entitling their holders to a different number of votes or a different sized dividend.

21. Largest shareholders and distribution of shareholdings

Suomen Osuuskauppojen Keskuskunta (SOK) owns all the shares.

Notes to Income Statement items

EUR thousands

	31 Dec 2008	31 Dec 2007
22. Interest income and interest expenses		
Interest income		
Receivables from credit institutions	4 005	1 615
Receivables from the public and public sector entities	5 277	923
Debt securities	67 024	9 746
Derivative instruments	312	0
Other interest income	36	0
Total	**76 654**	**12 283**
of which from SOK Corporation	36	19
Interest expenses		
Liabilities to the public and public-sector entities	50 177	7 690
Derivative instruments	81	0
Other interest expenses	4	1
Subordinated liabilities	831	0
Total	**51 093**	**7 690**
of which from SOK Corporation	1 542	834
23. Fee and commission income and expenses		
Fee and commission income		
from lending	1 313	381
from borrowing	394	40
from payment transactions	1 968	986
from other activities	250	2
Total	**3 924**	**1 409**
Fee and commission expenses		
Other	853	42

24. Net income from trading in securities

	31 Dec 2008		
	Gains and losses on sales (net)	**Changes in fair value (net)**	**Total**
From derivative contracts	70	1 441	1 511

S-Bank did not have derivative contracts in 2007

	31 Dec 2008	31 Dec 2007
25. Net income from available-for-sale financial assets		
Net income from sales of financial assets	-483	21
26. Other operating income		
Gains on merger		5 785
Other income	1 032	865
27. Other operating expenses		
Rental expenses	377	364
Other expenses	1 454	112
Total	**1 831**	**476**
28. Depreciation, amortisation and impairment of tangible and intangible assets		
Intangible assets		
Depreciation according to plan	3 557	611

There are no impairment losses on tangible and intangible assets

29. Impairment losses on loans, other commitments and other financial assets

31 Dec 2008	Realised contract -specific credit losses, gross	Group-specific impairment losses, gross	Deductions	Total
Receivables from the public and public sector entities	359	2 112	299	2 172

31 Dec 2007	Realised contract -specific credit losses, gross	Group-specific impairment losses, gross	Deductions	Total
Receivables from the public and public sector entities	74	205	40	240

Notes on Collateral and Contingent Liabilities

EUR thousands

	Other collateral	
30. Collateral provided	**31 Dec 2008**	**31 Dec 2007**
Other liabilities	4 204	0

As a company that is launching card operations, S-Bank has deposited funds in escrow for the benefit of Visa Europe Services Inc to cover transactions related to payment transactions outside Finland.

31. Pension liabilities

The statutory pension security for the personnel has been arranged through Tapiola General Mutual Insurance Company

32. Lease and other rental liabilities	31 Dec 2008	31 Dec 2007
Due within one year	93	87
Due in more than one year and less than five years	62	122
Due in more than five years		
Total	**155**	**209**

The lease liabilities relate to vehicles. The agreements are not cancellable in mid-term.

33. Off-balance sheet commitments	31 Dec 2008	31 Dec 2007
Unused credit facilities	250 980	125 657

The off-balance sheet commitments have not been given on behalf of companies to the group.

Notes on Employees and Management

EUR thousands

34. Staff	2008		2007	
	Average number	Number at 31 Dec 2008	Average number	Number at 31 Dec 2007
Permanent full-time staff	69	84	64	55
Permanent part-time staff	1	1	1	1
Fixed-term employees	1	3	0	0
Total	**71**	**88**	**65**	**56**

Salaries and fees paid to management	2008	2007
Managing director and his deputy	345	286
Executive Board	No fees paid	No fees paid

The amount of loans granted to the managing director, his deputy and the Executive Board is stated in the note on related-party lending.

Related party transactions

EUR thousands

35. Loans and other financial receivables from related parties of the credit institution, investments made in such entities and guarantees and collateral provided by a third party on behalf of such entities for repayment of loans.

	31 Dec 2008	31 Dec 2007
Basis for classification as a related party	Receivables from the public and sector entities	Receivables from the public and public sector entities
Ownership	43	259
Management	20	13
Management of holding company	15	8
Total	**79**	**281**

No contract-specific impairment losses associated with related party lending.

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

Notes on Share Ownership

36. Holdings in other companies

S-Asiakaspalvelu Oy, domiciled in Helsinki	
Shareholding 100 per cent	
Equity	50
Result for the period	**0**

S-Crosskey Ab, domiciled in Maarianhamina (Mariehamn)	
Shareholding 40 per cent	
Equity	21
Result for the period	**-8**

Notes on Auditors' fees

EUR thousands

37. Information on the auditors' fees	31 Dec 2008	31 Dec 2007
Audit	134	51
Other services	29	34

Note on Supervised Group Entity

38. Group's parent company

S-Bank Ltd. belongs to the SOK Corporation group. The Corporation's parent company is Suomen Osuuskauppojen Keskuskunta (SOK), which is domiciled in Helsinki.

S-Bank Ltd's financial statement information is included as information on subsidiaries in SOK Corporation's consolidated financial statements, a copy of which can be obtained from SOK's head office at the visiting address: Fleminginkatu 34, 00510 Helsinki.

S-Pankki

S-Bank Ltd

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