ANNUAL REPORT

2009

S-Pankki

CONTENTS

CO-OP MEMBERS' OWN BANK

Our family is used to getting good deals in Prisma, Sokos and other locations, where we get valuable benefits with our S-Etukortti cards.

As an S-Bank customer, we get even more from our co-op membership. Free-of-charge banking services are the icing on the cake.

And what's best is that money matters can be taken care of alongside everyday tasks: at home with the online bank, and as part of our regular trips to the store.


OPEN

S-BANK IN BRIEF

S-BANK STARTED BANKING operations in October 2007. Slightly more than two years later, the banking arm of S-Group boasted nearly 2.2 million customers and total deposits of EUR 2.5 billion.

S-Bank offers services at locations where the customer-owners of S Group cooperatives do their everyday shopping. A Customer Service Point is found in all Prisma stores and the largest Sokos and S-market stores. Altogether, there are about 150 service points around Finland. In addition, about 800 other S Group outlets offer limited banking services. S-Bank's actual head office is the Online bank. Furthermore, customer service by telephone is available on weekdays.

S-Bank offers services relating to payment transactions, savings and the financing of purchases. The services are primarily targeted for customer-owners and their family members. They are all equal S-Bank customers and are offered the best benefits.

S-Bank is fully in Finnish ownership. S-Bank is owned by SOK Corporation (50%), S Group' regional cooperatives and one local cooperative (50% altogether). The Federation of Finnish Work has granted S-Bank the right to use the Key Flag logo, a symbol of Finnish know-how.

S-BANK IN FIGURES	12/2007	12/2008	12/2009
Customers	1 873 000	2 034 000	2 176 000
Deposits (EUR million)	1 135	1 979	2 459
S-Etukortti Visa users	39 000	144 000	373 000
Online bank users	192 000	625 000	795 000
Earnings (EUR million)	-2,9	-6,1	2,9
Solvency ratio	9,2 %	12,7 %	25,8 %

The figures in the tables are as at the end of the year. Earnings are for the period from 1 January - 31 December.

REVIEW BY THE MANAGING DIRECTOR:
A BANK OF THE ORDINARY PEOPLE

AT THE BEGINNING OF 2009, S-BANK was facing an interesting situation. The banking business had got off to a brisk start and interest towards the banking arm of S-Group was growing, but the second full year of operation would show whether the services and operating model of S-Bank really matched the everyday needs of Finnish consumers.

We received a crystal clear answer to this question in 2009. More than 230,000 customers received an S-Etukortti Visa card during the year, and the online bank had nearly 800,000 users at year-end. Moreover, customers were very interested in the accounts offered by S-Bank. Despite the challenging market conditions, deposits by private individuals increased by EUR 480 million, and total deposits rose to nearly EUR 2.5 billion.

Now, looking back a few years, we can say that we made the right choices before the bank doors opened. We decided on an uncomplicated selection of services and comprehensible pricing. We wanted the financial benefits gained from S-Bank's services to be easy to understand. Everything had to match the everyday needs of our customer-owners.

The bank has followed the script in its operations, and there has not been much need to adjust the operating model. In the light of the figures, we have been even more successful than expected.

A change in people's way of thinking has also contributed to the successful start. Today, people are comparing the prices and quality of banking services, and they do not hesitate to shop around and pick the solutions that suit them best. They no longer feel obliged to acquire all services from one address. This has offered a great opportunity for S-Bank.

The first years of S-Bank can be considered remarkable in Finnish banking history, not only because of the great interest but also because of the development of the result. In its second full year of business, S-Bank was already in the black by EUR 2.9 million.

The events in 2009 provided us with a solid basis upon which we can continue building the bank for ordinary folk like us.

PEKKA YLIHURULA
Managing Director, S-Bank

HIGHLIGHTS IN 2009

JUNE

S-BANK NETPOSTI WAS LAUNCHED

In June, S-Bank launched a completely new service package. Itella's electronic NetPosti service was included in S-Bank's online bank. Itella, another Finnish player, was a familiar partner to S-Bank.

Thanks to NetPosti, S-Bank's online bank can also be used as an electronic mailbox, which makes comprehensive banking services available to customers. Customers can now order, receive, pay and archive bills in the online bank.

What distinguishes S-Bank NetPosti from other similar services is that bills look exactly the same as printed bills. We believe that keeping the information easy to read makes it simpler to switch to electronic bills.

S-Bank NetPosti is also a mailbox for other electronic business letters. For our part, we want to encourage Finnish consumers to replace traditional printed letters with more ecological electronic letters.

JULY

COOPERATIVES BECOME OWNERS OF S-BANK

Originally, S-Bank was established to continue the hundred-year-long tradition of cooperative savings associations. At first, the new bank had only one owner, SOK Corporation. Even before any banking activities were launched, it was evident that sooner or later it would be natural for the S Group cooperatives to assume some degree of ownership in S-Bank.

In May–June 2009, S-Bank carried out a share issue. In this process, regional cooperatives and one local cooperative acquired half of the ownership. The share issue was fully subscribed by the new owners, and half of the ownership remained with SOK.

NOVEMBER

CO-OPERATION WITH SAS BEGAN

At the beginning of 2009 it was evident that S-Bank needed a strategic partner to manage its expanding information flow. In November, the bank signed a co-operation agreement with the software company SAS, a specialist in business analytics.

As a result of this co-operation, S-Bank is going to implement a data storage and analysis solution that is in wide use in the Finnish banking sector. The choice of partner was also influenced by the achievements of SAS in various industries and its extensive international customer base.

At the initial stage, S-Bank will make use of the new features mainly to improve risk management. In future, the improved interpretation of data masses will be used for the development of a service network.

DECEMBER

S-BANK ACQUIRED CREDIT PORTFOLIO FROM CITIBANK

Citibank decided to concentrate on corporate customers in Finland, and this decision offered S-Bank the opportunity to increase rapidly its consumer credit business.

Negotiations were carried out in 2009, and on 18 December S-Bank and Citibank International PLC signed an agreement. In accordance with the agreement, Citibank's private customers' credit portfolio will be transferred to S-Bank in February 2010.

The agreement covers a credit portfolio of about EUR 200 million and 23,000 credit customers. In addition, S-Bank will employ about 30 highly qualified credit professionals from Citibank.

This is a strategically important agreement for S-Bank, because now the bank can skip the laborious initial stage of building a credit customer base.

The expansion of credit portfolio also has a balancing effect on S-Bank's balance sheet. Furthermore, a larger number of credit customers helps diversify risk. The purchase decision was made easier by the structure of Citibank's credit portfolio, which is very similar to S-Bank's credit portfolio.

The deal is expected to have a markedly positive effect on S-Bank's result as early as in 2010.

JUST ONE CARD

S-BANK'S SERVICES ARE BASED on the S-Etukortti Visa card. The customer-owners of S Group cooperatives use the S-Etukortti Visa card as a payment and credit card. Furthermore, the card is the key to benefits for the members, such as Bonus and other benefits related to payment method.

"S-Bank wants to make everyday life easier for the customer-owners. One card with multiple uses is perfect for this purpose," says Director Jari Sinkkonen from S-Bank.

Before the beginning of 2009, customer-owners had shown a steady interest in S-Bank's Visa card. On average, nearly 13,000 new Visa cards had been issued each month. At the beginning of 2009, S-Bank's Visa card had 144,000 users.

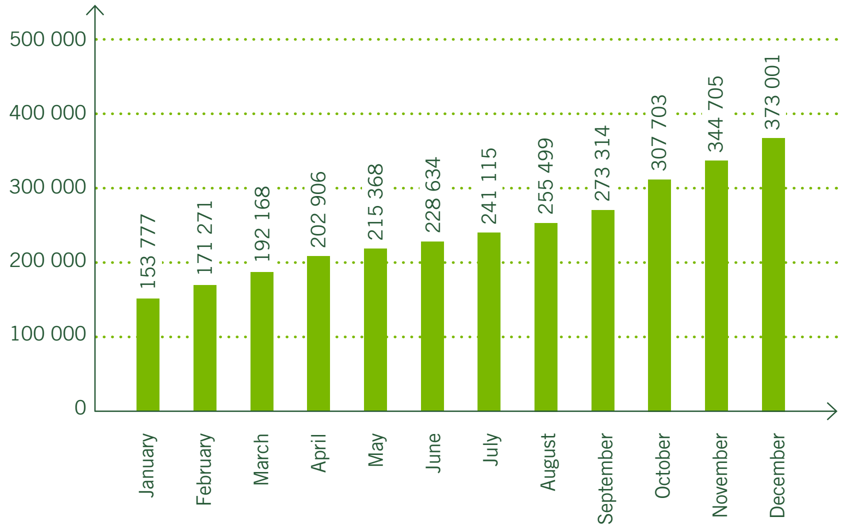
In January 2009, customer-owners' interest in the S-Etukortti Visa card began to increase vigorously. During the year, nearly 230,000 S-Bank Visa cards were issued to S-Bank's customers, which expanded the number of card users by more than 50 per cent. The popularity of the card continued to grow towards year-end. In the final quarter of 2009, more than 34,000 new cards were issued each month.

Mr Sinkkonen believes that the S-Etukortti Visa card is increasing in popularity because people are better informed about the card and they can calculate the benefits they gain.

"Using the card is free of charge for customer-owners, and through the online bank they can easily check the financial benefits gained."

At the end of 2009, about one out of every five customer-owner was using the S-Etukortti Visa card. Interest in the card is expected to continue in the years ahead.

S-ETUKORTTI VISA USERS IN 2009



UNCOMPLICATED
BUT ATTRACTIVE SELECTION OF ACCOUNTS

S-BANK OFFERS THREE TYPES of accounts: current account, savings account and time deposits. We aim to keep the interest rates competitive with respect to the market conditions.

Thanks to the clear, uncomplicated selection of accounts, S-Bank has received about EUR 1.5 billion in deposits from individuals in two years. During the same period, deposits by private individuals in banks operating in Finland have increased by slightly over EUR 11 billion. S-Bank's share of this growth was about 13 per cent.

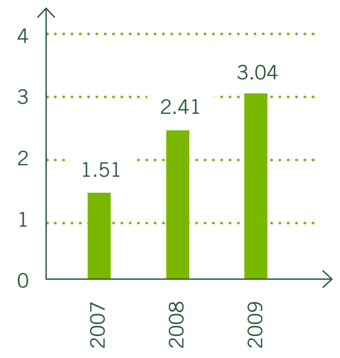
When S Group cooperatives 2007 transferred the customer owners' investments in savings funds to S-Bank, our market share of retail deposit was 1,3 %.

At the end of 2009, domestic retail deposits in banks operating in Finland totalled about EUR 74 billion. S-Bank's market share of these was 3.04 per cent, or about EUR 2.3 billion.

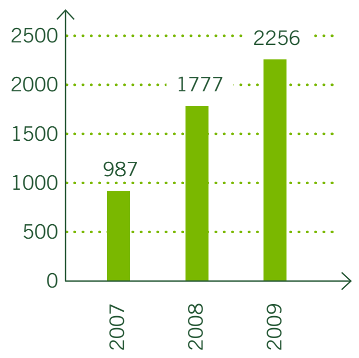
S-Bank's Managing Director Pekka Ylihurula believes that both the total amount of deposits and S-Bank's market share will increase in the next few years.

"The economic recession has taught consumers to appreciate safe solutions that produce a relatively good value. Not many people are willing to expose their savings to unreasonably high risks," he says.

DEVELOPMENT OF S-BANK'S MARKET SHARE, DEPOSITS BY PRIVATE INDIVIDUALS IN BANKS OPERATING IN FINLAND



DEPOSITS BY PRIVATE INDIVIDUALS IN S-BANK (EUR MILLION)



OVER 72% OF US, THE ORDINARY PEOPLE, CHOOSE OUR SAVINGS METHOD ON THE BASIS OF HOW SAFE IT IS

FINANCIAL STATEMENTS 2009

REPORT OF THE EXECUTIVE BOARD ON 2009

S-BANK LTD'S BANKING OPERATIONS HAD A GOOD STARTING POINT for 2009. The business, commenced slightly over a year ago, had grown considerably in nearly all key sectors.

During the year, S-Bank's customer base expanded from 2,034 million to 2,176 million customers. The number of online bank users increased by approximately 180,000 customers to nearly 800,000 users. The number of S Bank Visa users increased more than 1.5-fold over the year. At year-end, more than 380,000 customers were using S-Etukortti Visa cards.

Despite the low interest rate level in the operating environment, S-Bank increased the total liability on deposit by EUR 512.9 million. The total funds on deposit in S-bank stood at nearly EUR 2.5 billion at year-end. Considering the current market conditions, the growth was satisfactory.

The increase in deposits was mainly based on retail deposits. They increased by EUR 479.7 million.

By the end of the year, deposits by corporate customers rose to EUR 201.1 million. The S-Bank did not aim for an extensive increase in deposits by corporate customers, because the bank focuses on services for private customers.

The S-Bank's performance in 2009 was successful. The result for year 2009 was EUR 2.9 million, up EUR 9.0 million year-on-year. The performance was outstanding, considering this was only the second full year of operation for the S-Bank.

In 2009, S-Bank made many important reforms and investments for the future.

In April, S-Bank expanded its operations by buying SOK Corporation's gift card business.

In May–June (15 May – 30 June) S-Bank carried out a share issue through which the S Group's regional cooperatives and one local cooperative gained a 50% ownership of the bank. The new owners subscribed the issue in full. The expansion of the ownership base was part of S-Bank's long-term plans even before launching the deposit bank operations. The share issue increased S-Bank's equity by EUR 79.6 million.

In June, S-Bank expanded its electronic service offering by adding Itella's electronic NetPosti to its online bank.

In November, S-Bank signed a strategic co-operation agreement with the software company SAS Institute Ltd. Co-operation with SAS is essential for S-Bank to be able to manage the information flow associated with the continuously expanding banking business.

In December, S-Bank signed an agreement to transfer Citibank's private customers' credit portfolio to S-Bank in February 2010. The transaction will increase S-Bank's credit portfolio by about EUR 200 million, and S-Bank will receive about 23,000 new credit customers.

2009 was a year of stabilisation for S-Bank. The year was successful, and the continuous steady growth provides a solid basis for business in the years to come.

FINANCIAL STANDING

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank had a outstanding year. Despite the challenging market conditions, the bank continued to grow and achieved a positive result in its second full year of operation. S-Bank's operating profit totalled EUR 3.1 million, an increase of EUR 9.2 million year-on-year.

S-Bank's good performance was supported particularly by the strong development of net interest income. Treasury activities were successful, and retail banking business grew as expected; the deposit interest rates paid to customers were the most competitive in the market. The result was burdened mainly by system expenses, which are high for a new bank because of investments in development.

The positive result improved the cost/income ratio year-on-year to 0.8 (1.1). Profitability improved as well, and the return on equity was 2.8% (-11.2%). Return on assets was 0.1% (-0.4%).

KEY INANCIAL INDICATORS (EUR million)	**12/2009**	**12/2008**	**12/2007**
Net interest income	35,4	25,6	4,6
Net fee and commission income	4,8	3,1	1,4
Other income	7,0	2,1	6,7
Net income	47,2	30,7	12,6
Personnel expenses	-6,6	-5,0	-4,2
Other administrative expenses	-24,4	-24,2	-9,9
Depreciation and impairment losses	-3,7	-3,6	-0,6
Other expenses	-9,4	-4,0	-0,7
Operating profit / loss	**3,1**	**-6,1**	**-2,9**
Private customer deposits			
Demand deposits	2 082,1	1 150,6	737,5
Time deposits	174,3	626,1	249,9
Corporate deposits	201,1	168,0	147,5
Deposits, total	**2 457,6**	**1 944,7**	**1 134,9**
Debt securities	2 336,6	1 766,1	948,5
Central bank / credit institution receivables	151,8	163,8	199,1
Lending to the public	153,9	99,8	42,3
Receivables total	**2 642,3**	**2 029,8**	**1 189,9**
Cost-income ratio	0,8	1,1	1,2
Return on equity	2,8 %	-11,2 %	-7,2 %
Return on assets	0,1 %	-0,4 %	-0,5 %
Equity ratio	6,0 %	2,8 %	4,2 %

Income

Net income increased 53.7 per cent year-on-year, totalling EUR 47.2 million (30.7) for the financial year. The majority of the income was constituted by the net interest income, EUR 35.4 million (25.6). It showed an increase of 38.3 per cent. The favourable development of net interest income was a result of the satisfactory growth in total deposits and the positive development of the investment portfolio. The interest income was mainly generated through investments in the money and capital market, but the steady growth of card and credit products was also reflected on the interest income. Interest expenses consisted mainly of interest on deposits paid to the customers.

Net fee and commission income, which is mainly generated through card business, borrowing and payment transactions, increased 54.8 per cent year-on-year, totalling EUR 4.8 million (3.1). Other income totalled EUR 7.0 million (2.1), consisting of net income from financial assets available for sale, net income from securities trading and other operating income. Net income from financial assets available for sale increased to EUR 7.5 million (-0.5), while net income from securities trading fell to EUR -2.0 million (1.5), due to derivatives recognised at fair value through profit and loss. Other operating income stood at EUR 1.4 million (1.0)

Expenses

S-Banks fast growth naturally resulted in increased expenses. Operating expenses for the financial year totalled EUR 44.2 million (36.8), up 20 per cent year-on-year. The most significant individual expense item was IT and Information Management, totalling EUR 10.6 million (10.6). Other administrative expenses totalled EUR 24.4 million (24.2), with other significant items besides IT and Information Management being expenses related to system connections, commissions paid to S Group Companies and charges invoiced to S-Bank by S-Asiakaspalvelu Oy.

The increase in personnel resulted in higher personnel expenses, totalling EUR 6.6 million (5.0). Personnel expenses were up 32.1 per cent year-on-year. Depreciation amounted to EUR 3.7 million (3.6). Other operating expenses, totalling EUR 2.6 million (1.8), consisted of leases and rents for office premises, machinery and equipment, vehicle expenses and contribution payments o the Deposit Guarantee Fund.

The bank recorded impairment losses and credit losses of EUR 6.8 million (2.3) for the financial period. Recovery of credit losses amounted to EUR 0.1 million (0.1).

BALANCE SHEET

Total assets were EUR 2,689.0 million (2,066.1) at the end of the financial year. This was a 30.1 per cent increase on the previous year, mainly resulting from increased deposits. Despite the challenging market conditions, S-Bank was able to offer competitive interest rates on deposits. However, customers clearly began favouring current and savings accounts over time deposits. At year-end, the amount of demand deposits totalled EUR 2,082.1 million (1,150.6), and the amount of fixed-term deposits totalled EUR 174.3 million (626.1). The amount of corporate deposits fluctuated during the financial year, ending up at EUR 201.1 million. This was EUR 33.2 million up on the previous year.

During the financial year, S-Bank carried out a share issue through which the S Group's regional cooperatives and one local cooperative acquired a 50% ownership of the bank. The share issue increased S-Bank's share capital by EUR 79.6 million. Overall, the bank's equity increased by EUR 103.0 million during the financial year, amounting to EUR 158.5 million. In addition to the share issue, equity was increased by the fair value reserve, amounting to EUR 12.8 million (-7.7) at the end of the financial year.

S-Bank mainly invested its assets in the money and capital markets. At the end of the financial period, debt securities amounted to a total of EUR 2,336.6 million (1,766.1), of which EUR 1,892.4 million (1,145.4) were debt securities eligible for refinancing with central banks. All debt securities were categorised as available-for-sale financial assets. Credit card receivables, overdraft facilities and account and working capital credit facilities increased by EUR 54.1 million during the financial year, amounting to EUR 153.9 million. Growth was distributed evenly among all products. Receivables from the central bank and credit institutions totalled EUR 151.8 million (163.8).

Because of the good growth of equity, the equity ratio rose to 6.0 per cent (2.8%).

CAPITAL ADEQUACY

DISCLOSURE OF CAPITAL ADEQUACY INFORMATION

In Finland, banking operations and related risk-taking are regulated through the monitoring of capital adequacy, for instance. The revised capital framework is comprised of three interlinked entities, or 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 of different types of risk and risk management, the information is published in the Notes to the financial statements.

In special circumstances, capital adequacy-related information is also disclosed in an Interim Report. Such a special situation realises if the company is capitalised outside the capital plan. An Interim Report is published once per 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, Tier II and other own funds. S-Bank's own funds consist of Tier I and Tier II funds and items deducted from Tier I own funds. The bank does not have items categorised as other own funds.

The Tier I own funds are freely and immediately available for covering unexpected losses. S-Bank's Tier I own funds consist of restricted and unrestricted equity items and retained earnings.

Restricted equity within Tier I funds consists of share equity and the share premium reserve. In addition, S-Bank's Tier I funds consist of the invested non-restricted equity reserve and voluntary provisions with the deferred tax liability deducted. S-Bank's Tier I own funds are categorised as non-restricted own funds in full, which means that the bank has full power of decision over the repayment of the funds and over the dividends to be distributed on them.

Owing to the start-up of operations, the bank showed a loss during the initial period. For this reason, the losses form prior financial periods and the profit for 2009 constitute the retained earnings, and as a negative item they are to be deducted from Tier I own funds. Deferred tax assets attributable to confirmed losses are not included in own funds. The unamortised portion of the acquisition costs of intangible assets is deducted from Tier I own funds.

S-Bank's Tier II own funds consist of the fair value reserve and two loans on debenture terms. The fair value reserve is fully included in upper Tier II own funds less deferred taxes in accordance with the corporate tax rate.

S-Bank does not have items categorised as deductible 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 annually or whenever changes calling for an update take place in the bank's operations.

Managemenet of capital adequacy is part of S-Bank's annual strategy process. The process of managing capital adequacy is based on comprehensive identification of risks, taking into consideration the nature and extent of business and changes in the external operating environment. The required amount of own funds is deduced from the identified and analysed risks within the limits of the risk-taking bias and level of risk-taking specified in the strategy.

The management of capital adequacy is based on risk analyses conducted on credit, market and operational risks in accordance with minimum capital requirements. In addition, risk analyses include risks that are accounted for only partially under Pilar I (calculation of minimum capital adequacy) or fall completely outside Pilar I. On the basis of profound risk analysis on bank's operational concept, bank's strategic objectives and the risk-taking bias derived therefrom, the Executive Board confirms annually in its capital plan the need for risk-based capital.

In addition to the capital requirement, the capital plan describes 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 Pilar I is mainly attributable to credit risk. In the calculation of the minimum capital adequacy

for own funds, S-Bank applies the standard method for credit and market risk and the basic method for operational risks. Owing to the nature of operations, the bank did not allocate own funds to market risk during the financial year 2009, and the requirement for operational risk 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 nature that the risk-based capital requirement under Pilar II corresponds to the capital requirement under Pilar I. The same applies to operational risks, as the risk-based capital requirement for operational risks increases with the increase in operations.

As regards risks in the external operating environment, interest rate risk in the banking book, concentration risk and liquidity risk, the bank considers that the bank's own funds cover the risk-based capital requirement relating to these risks.

In the start-up stage of operations, S-Bank's minimum capital adequacy target has been 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 investments 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 year 2009 (2008), the bank's capital adequacy ratio was 25.8% (12.7%). The bank's own funds totalled EUR 164.1 million (63.0), whereas the minimum requirement for own funds was EUR 50.9 million (39.8). The bank's own funds were most significantly tied by the credit risk capital adequacy requirement and the included items of "Receivables from credit institutions and investment firms" and "Receivables from companies".

OWN FUNDS (EUR million)	**12/2009**	**12/2008**
Tier I own funds without deduction items	148,0	65,4
Share capital	33,5	16,8
Share premium reserve	21,2	21,2
Invested non-restricted equity reserve	104,4	41,6
Voluntary provisions	2,3	2,1
Retained earnings		
Profits/losses from previous periods	-16,3	-10,2
Profit/loss for the financial year	2,9	-6,1
Deduction items		
Intangible assets	13,3	14,6
Tier I own funds total	**134,7**	**50,7**
Tier II own funds	**29,5**	**12,3**
Fair value reserve	9,5	-7,7
Debentures	20,0	20,0
Own funds total	**164,1**	**63,0**
Capital adequacy ratio	**25,8 %**	**12,7 %**
Capital adequacy ratio for Tier I own funds	**21,2 %**	**10,2 %**

MINIMUM AMOUNT OF OWN FUNDS (EUR million)	12/2009		12/2008	
Minimum capital adequacy requirement for credit risk	**Exposure value**	**Own funds**	**Exposure value**	**Own funds**
Receivables from governments and central banks	255,6	0,1	161,6	0,0
Receivables from regional administration and local authorities	14,1	0,0	0,0	0,0
Receivables from international development banks	10,2	0,0	0,0	0,0
Receivables from credit institutions and investment firms*	1 883,8	29,0	1 703,9	26,5
Receivables from companies	132,0	9,4	96,4	7,5
Retail receivables	68,7	4,1	45,3	2,7
Overdue receivables	6,8	0,8	4,1	0,5
Covered bonds	276,1	2,2	23,0	0,2
Investments in investment funds	8,6	0,1	4,2	0,1
Other items	20,0	0,2	13,1	0,2
Off-balance sheet commitments	424,4	2,6	251,0	1,1
Total	**3 100,3**	**48,7**	**2 302,5**	**38,8**
Minimum capital adequacy requirement for credit risk, total		**48,7**		**38,8**
Minimum capital adequacy requirement for market risk		Noth. to report		Noth. to report
Minimum capital adequacy requirement for operational risks		**2,2**		**1,0**
Minimum amount of own funds, total		**50,9**		**39,8**

*For derivatives, the exposure value takes into account the exposure value of the counterparty credit risk.

S-ASIAKASPALVELU OY

S-Asiakaspalvelu Oy is a wholly-owned subsidiary of S-Bank. Established on 8 August 2008, 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 (9.2.2007/121).

S-Asiakaspalvelu's turnover in 2009 was EUR 3.9 million (5.8). The decrease in turnover was due to sharpening of operations, which resulted in a corresponding decrease in expenses. Intra-group revenue accounted for EUR 2.7 million of the turnover (4.5), and other revenue consisted of customer-owner telephone services offered to the cooperatives. Expenses were mainly personnel-related, and the number of employees was 65 (91) at year's end. S-Asiakaspalvelu's operating profit was EUR 0.0 million (0).

Because of the limited extent of S-Asiakaspalvelu's operations, S-Bank does not consolidate the company in its financial statements.

ADMINISTRATION

GENERAL MEETINGS

The Annual General Meeting was held on 19 February 2009. The meeting confirmed the financial statements of the previous year and released the Executive Board and Managing Director from liability. The meeting resolved not to distribute dividend. The number of Executive Board members was confirmed as six, and the members were nominated. Tomi Englund, Authorised Public Accountant, of Helsinki, was elected the auditor and Ernst & Young Oy, Authorised Public Accountants, the deputy auditor.

The Extraordinary General Meeting held on 5 May 2009 resolved to increase the share capital by EUR 16,770,000.00 from EUR 16,770,000.00 to EUR 33,540,000.00 by offering 3,354 shares for subscription with a nominal value of EUR 5,000.00 at the subscription price of 23,733.00 per share. Shares were offered for subscription to S Group cooperatives. The portion of subscription price exceeding the nominal value was posted in the invested unrestricted equity reserve.

EXECUTIVE BOARD

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

The Executive Board has rules of procedure, duly confirmed, according to which the Executive Board is responsible for strategic development of the bank, the steering and control of its operations and for deciding on the company's main operating principles and general 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 practices. The Board meets at least eight times per year.

At the Annual General Meeting, the following persons were elected the members of the S-Bank Executive Board: Jari Annala, Senior Vice President, SOK Administrative Division; Taavi Heikkilä, Managing Director; Matti Niemi, Managing Director; Folke Lindström, Managing Director; Juha Ahola, Senior Vice President, SOK Finance; and Veli-Matti Puutio, Managing Director, as a new member, as Esko Hakala, Managing Director, resigned from the Executive Board. The Executive Board elected Jari Annala the Chairman and Taavi Heikkilä the Vice Chairman.

The Executive Board convened 15 (16) times during the financial year, and the average rate of attendance was 91.1% (93.8%). The Board members received no meeting fees.

MANAGING DIRECTOR

The bank's Executive Board appoints the Managing Director. The Managing Director is responsible for the bank's routine management duties in accordance with instructions and regulations issued by the Executive Board, applicable legislation and regulations, the Articles of Association and 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 decision-making power. If the Managing Director is prevented from attending to his duties, they are carried out by the Managing Director's deputy.

From 22 June 2006, S-Bank Ltd's Managing Director is Pekka Ylihurula. General Counsel Veli-Matti Parmala is the Deputy Managing Director.

PERSONNEL

The number of S-Bank employees grew by 15 from the previous year, totalling 103 (88) at year's end. Salaries and fees paid amounted to EUR 5.4 million (4.1).

S Group Companies act as S-Banks agents. Training of agents was arranged in accordance with the training programme approved by S-Bank's Executive Board. Training focused on ensuring the competence and quality of service required in banking business. The competence of S-Asiakaspalvelu Oy's personnel is ensured through continuous training at work. Based on the surveys carried out at the end of 2009, the competence and service levels of the agent network and S-Asiakaspalvelu Oy's personnel are good.

MAIN EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

On 8 January 2010, the Finnish Competition Authority approved the acquisition where S-Bank Ltd acquired Citibank International plc's private customers' credit portfolio business.

OUTLOOK FOR 2010

The result of banking operations is forecast to be at the same level as in 2009. However, the general economic situation and low interest rates pose a challenge to traditional deposit banking.

The focus of operations will largely be on implementation of regulatory changes, such as the Act on Payment Services that will enter into force on 1 May 2010. Another important project in 2010 will be the integration of the private persons' consumer credit portfolio business, purchased from Citibank International plc, into S-Bank's business.

EXECUTIVE BOARD'S PROPOSAL FOR THE DISPOSAL OF DISTRIBUTABLE FUNDS

The Executive Board proposes that the profit for the financial year, EUR 2,872,339.90, 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 from credits and other receivables

Cost-income ratio:

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

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 result 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

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

x 100

Return on assets (ROA), %

Operating profit/loss - income taxes

Balance sheet sum total on average (the average of the beginning and end of year)

x 100

Equity ratio, %

Equity and minority interest + accumulated appropriations less deferred tax liability

---

Balance sheet sum total

x 100

Capital adequacy ratio, %

Own funds total

Minimum requirement for own funds, total

x 8%

Capital adequacy ratio for Tier I own funds, %

Tier I own funds total

Minimum requirement for own funds, total

x 8%

BALANCE SHEET

ASSETS, 1 000 €	Note	31.12.2009	31.12.2008
Liquid assets	18,19	20 901	28 470
Debt securities eligible for refinancing with central banks			
Other	3,18,19	1 892 361	1 145 364
Receivables from credit institutions	1,18,19	130 892	135 360
Payable on demand		892	2 360
Other		130 000	133 000
Receivables from the public and public sector entities	2,18,19	153 911	99 821
Payable on demand		6 879	2 259
Other		147 031	97 562
Debt securities			
Other	3,18,19	444 208	620 743
Shares and participations	5	8 604	4 204
Shares and participations in associated companies	5,19	3	3
Shares and participations in companies belonging to the same Group	5,19	50	50
Derivative contracts	6	0	2 256
Intangible assets	7,10,19	13 308	14 648
Other assets	11	2 742	424
Prepayments and accrued income	12	22 068	14 783
ASSETS. TOTAL		**2 689 048**	**2 066 127**

LIABILITIES, 1 000 €	Note	31.12.2009	31.12.2008
LIABILITIES			
Liabilities to the public and public sector entities	18	2 487 620	1 957 826
Deposits		2 457 550	1 944 667
Payable on demand		2 283 221	268 427
Other		174 330	676 241
Other liabilities		30 070	13 158
Payable on demand		26 296	12 259
Other		3 774	899
Derivatives and other liabilities held for trading	6	510	815
Other liabilities	15		
Other liabilities		14 910	16 652
Accruals, deferred income and advances received	16	4 433	12 395
Subordinated liabilities			
Capital loans	17	20 000	20 000
LIABILITIES TOTAL		2 527 474	2 007 688
ACCUMULATED APPROPRIATIONS			
Accelerated depreciation		3 057	2 872
ACCUMULATED APPROPRIATIONS TOTAL		3 057	2 872
EQUITY			
Share capital	26	33 540	16 770
Share premium reserve		21 180	21 180
Other restricted reserves			
Fair value reserve			
On measurement at fair value		12 784	-7 693
Non-restricted reserves			
Invested non-restricted equity reserve		104 448	41 618
Profit (loss) from previous financial periods		-16 307	-10 170
Profit (loss) for the financial period		2 872	-6 137
EQUITY. TOTAL	25	158 518	55 567
LIABILITIES, TOTAL		2 689 048	2 066 127
OFF-BALANCE SHEET COMMITMENTS			
Commitments given on behalf of a customer	46		
Irrevocable		64 506	27 895
Other		359 943	223 085

INCOME STATEMENT

1 000 €	Note	31.12.2009	31.12.2008
Interest income	29	65 174	76 654
Interest expenses	29	-29 748	-51 093
NET INTEREST INCOME		35 426	25 561
Fee and commission income	32	6 105	3 924
Fee and commission expenses	32	-1 313	-853
Net income from securities trading and currency operations			
Net income from securities trading	33	-1 951	1 511
Net income from available-for-sale financial assets	34	7 539	-483
Other operating income	37	1 407	1 032
Administrative expenses		-31 053	-29 243
Personnel expenses			
Salaries, wages and remuneration		-5 374	-4 055
Indirect personnel expenses			
Pension expenses		-859	-771
Other indirect personnel expenses		-397	-192
Other administrative expenses		-24 422	-24 224
Depreciation, amortisation and impairment losses on tangible and intangible assets	39	-3 732	-3 557
Other operating expenses	38	-2 588	-1 831
Impairment losses on loans and other receivables	40	-6 782	-2 172
OPERATING PROFIT (LOSS)		**3 058**	**-6 110**
Appropriations		-185	-28
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**2 872**	**-6 137**

CASH FLOW STATEMENT

1 000 €	1.1.–31.12.2009	1.1.–31.12.2008
CASH FLOW FROM OPERATIONS		
Interest, fee and commission income	73 121	64 536
Interest, fee and commission expenses	-38 768	-45 927
Payments received on loans recorded as credit losses	102	94
Other income	8 946	620
Payments to suppliers of goods and services and personnel	-33 680	-31 076
	9 721	-11 753
Increase (-) or decrease (+) in operating assets:		
Current assets	-6 982	-4 009
Net increase in credit card and overdraft receivables	-60 726	-59 999
Increase (+) or decrease (-) in operating liabilities:		
Deposits from customers	512 883	809 782
Current liabilities	14 914	13 388
Net cash provided by (used in) operating activities before income taxes	469 810	747 409
Income taxes	0	0
Net cash from operations	**469 810**	**747 409**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-2 391	-1 436
Net cash provided by (used in) investing activities	**-2 391**	**-1 436**
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in equity	79 600	20 000
Issue of loan on debenture terms		20 000
Net cash provided by (used in) financing activities	**79 600**	**40 000**
Net increase in cash and cash equivalents	547 019	785 973
Cash and cash equivalents at the beginning of the financial period	1 927 375	1 141 402
Cash and cash equivalents at the end of the financial period	2 474 395	1 927 375

NOTES TO THE INTERIM FINANCIAL STATEMENTS

THE COMPANY

S-Bank Ltd is a deposit bank that engages in 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 headquarters are located at Fleminginkatu 34, 00510 Helsinki, Finland. The bank does not have other branch offices. Under agency agreements, customer service is also provided by the S Group cooperatives at their locations.

The Executive Board approved the financial statements for the period 1 January – 31 December 2009 on 17 February 2010.

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounting Act and , as applicable, 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 SupervisoryAuthority'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 applicable.

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

CONSOLIDATION

S-Asiakaspalvelu Oy is a wholly-owned subsidiary of S-Bank. Established on 8 August 2008, 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 (9.2.2007/121). 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's operations, S-Bank does not consolidate the company in its financial statements. S-Bank has applied for and received a permission for this from the Financial Supervisory Authority.

S-Bank Ltd. organised share issue to cooperatives on 15 May–30 June 2009. As a result of the issue, SOK's ownership in S-Bank decreased from 100 per cent to 50 per cent. S-Bank Ltd and its subsidiary S-Asiakaspalvelu Oy have been presented in SOK Corporation's financial statements as discontinued operations in accordance with IFRS 5. From 1 January to 30 June 2009, S-Bank Ltd and S-Asiakaspalvelu Oy were consolidated within the Group as subsidiaries and from 1 July 2009 as associated companies.

ITEMS DENOMINATED IN FOREIGN CURRENCY

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

FINANCIAL ASSETS AND LIABILITIES

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

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

The fair value of a financial instrument is determined on the basis of prices quoted in active markets or by using measurement methods that are generally applied 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 at fair value are measured using the bid price and financial liabilities at fair value are measured using the ask rate.

Financial asset or liabilities at fair value through profit and loss include bonds and notes and other domestic and foreign securities and participations that are traded actively and have been acquired for short-term gain. Derivative contracts to which hedge accounting has not been applied are also included. 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 and loss are measured at market price. The change in fair value is entered in the income statement, and the difference between the value on the balance sheet date of the financial instruments recognised at fair value in the income statement and the carrying value on the previous balance sheet is entered as the income or expense for the period. If the financial instrument recognised at fair value was acquired during the financial period, the difference between the value of the financial instrument on the balance sheet date and its acquisition cost is entered as the income or expense for the period.

Held-to-maturity investments include bonds and notes and other non-derivative investments that are connected to fixed or determinable payments, mature on a certain date and are held to maturity. Held-to-maturity investments are measured at amortised acquisition cost using the effective interest method. Any impairment loss is recognised through profit and loss and the accrual of interest is continued on the lowered balance at the original effective interest rate of the contract.

Loans and other receivables include financial assets that are not quoted on the secondary market, for which the payments are fixed 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. The transaction costs related to loans and other receivables are included in the amortised acquisition cost measured using the effective interest method and amortised through profit and loss over the term-to-maturity of the receivable. After the initial recognition, loans and other receivables are measured at amortised cost using the effective interest method.

An item included in other financial liabilities is recognised in the financial statements 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 or paid. The amount of the difference between the nominal value of the debt and the cost recognised as expense or income for the period is amortised and recognised as an increase or decrease in the cost of debt. The difference between the nominal value and cost, or a fee or other expense that is associated with the debt and is included in the interest expense related to the debt, is amortised using the effective interest method as an expense for the term-to-maturity of the debt. Other financial liabilities are measured at the amortised cost at balance sheet date using the effective interest method.

Debt securities and other domestic and foreign securities not recorded in financial assets at fair value through profit and loss, investments held to maturity or loans and other receivables are recorded in available-for-sale financial assets. Financial assets available for sale are measured at fair value. The fair value of publicly traded investments is defined on the basis of their market values. 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 reliably defined, 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 recorded in equity, together with accrued interest and capital gains or losses, is recognised in the income statement.

Impairment of financial assets

At each balance sheet date, the Corporation assesses whether there is any objective evidence that the value of an item other than those classified as financial assets at fair value through profit and loss is impaired. Objective evidence is considered to be, for example, a customer's delay in payment, insolvency or bankruptcy, reorganisation or consolidation of debt, as well as a major change in the credit rating. If there is objective evidence of impairment, 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 asset, including the fair value of any guarantee. The discount rate applied is the original effective interest rate of the receivable. The difference is recognised 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 subsequently decreases and the change can be attributed to an event that has taken place after the recognition of the impairment loss, the impairment loss is reversed. Notwithstanding what is mentioned above S-bank estimates credit card and consumer credit receivables group-specifically but based on the abovementioned criteria for evaluation of impairment.

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 of a share that is not publicly quoted is determined 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 the fair value of notes or bonds classified as available-for-sale later increases and the increase can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised through profit and loss. If the fair value of a share later increases, the increase in value is recognised in equity.

LINKED DERIVATIVE

A linked derivative is part of a hydrid 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 previous financial periods, S-Bank has obtained subordinated debenture loans that can be considered abovementioned 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 abovementioned 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 also include the costs arising from modification of the software licensed to S-Bank. Intangible assets are measured at cost and amortised over their estimated economic lives using the straight line method.

Amortisation periods for intangible assets:

Software licence fees	5 years
Connection charges	5 years

INCOME TAXES

Income taxes include current taxes for the financial period and corrections to taxes for previous periods. The tax effect of items directly recognised in equity is correspondingly recognised 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 enacted tax rate.

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 banking business endeavour. Risk management supports the achievement of business objectives by ensuring that risks are identified and their impacts analysed and by supervising that the risks taken 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, the roles and responsibilities relating to 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 and 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 responsibility of the Credit and Risk Management Committee is to maintain and develop 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 is responsible for ensuring that the responsibilities and authorisations set out in the organisational structure are appropriate and clear. 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 risks in their respective business areas within the provided limits.

S-Bank's risk monitoring function is a unit that his independent from business operations. According to the tasks defined in the risk management policy, it maintains, develops and prepares risk management principles and formulates methods for measurement and assessment of risks and reporting of risks to the Credit and Risk Management Committee and the Executive Board. Furthermore, the risk monitoring function oversees the compliance of risk management principles and limits and 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

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

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

Financing risks comprise 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 refers to 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 the Credit and Risk Management Committee on identified business risks and measures for managing them and on the results of scenario analyses. The Executive Board approves the measures for managing the risks.

FINANCING RISKS

Credit risks

In S-Bank, credit risks arise primarily from the card business, lending to S Group companies and 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. S-Bank assesses the creditworthiness of retail customers by assigning them to risk categories based on different characteristics, using a scoring system. Assessment of the creditworthiness of corporate customers is based, among other things, on financial statements and Trade register and Credit Register information. If necessary, a credit rating given by a credit rating company is used.

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. Furthermore, the counterparties include 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 through 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 year investments in the money and capital markets have been very conservative with an emphasis on the high credit worthiness of the issuers and liquidity of the instrument.

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 matured at the balance sheet date provide the most significant evidence in assessing impairments in the S Bank. The amount recognised as impairment loss is the amount corresponding to the best estimate after all relevant information on the situation at the balance sheet date has been considered. If the amount of the impairment loss, according to objective estimates, decreases during a subsequent financial period, the impairment loss is reduced by a corresponding sum.

In the financial statements, the S Bank evaluates its impairments only by product since a single liability is not significant by itself in the current product range of the bank. The bank recorded a total of EUR 4.6 million (2.1) 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. Impairments are presented under Impairment losses from credit and other receivables in the financial statements.

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 abovementioned credit rating institutions are used in determining the risk weightings for general government and central banks, credit institutions and investment service companies and other 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. These items 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 a positive fair value.

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 was decreased by the use of guarantees given by states to banks' funding and covered bonds included in receivables.

S-Bank's risk exposure in 2009

The maximum amount of S-Bank's exposure at the end of the financial period was EUR 3,100.2 million (2,302.5) including off-balance sheet commitments. Owing to the nature of operations, by far the most significant item was Receivables from credit institutions and investment service companies, totalling EUR 1,883.6 million (1,703.8). Receivables from the government and the central bank totalled EUR 255.6 million (161.6), and covered bonds totalled EUR 276.1 million (23). Receivables from companies amounted to EUR 132 million (96.4), and retail receivables from households totalled EUR 68.7 million (45.3). Furthermore, S-Bank had receivables from regional administration amounting to EUR 14.1 million (0) and from international development banks totalling EUR 10.2 million (0). Investments in investment funds were EUR 8.6 million (4.2). Receivables due constituted an item of EUR 6.8 (4.1) million. Other items totalled EUR 20 million (13.1). Off-balance sheet items amounted to EUR 424.million (251.0).

Analysed by risk weighting, S-Bank's exposure fell predominantly into the 20% risk weight 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 insistutions' bonds guaranteed by government, receivables from international development banks and off-balance sheet items. Retail banking receivables made up the 75% item and debt securities issued by well-rated companies constituted 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	
	2009	2008	2009	2008
Receivables from general government and central banks	255,6	161,6	208,6	81,7
Receivables from regional administration	14,1	0,0	7,1	0,0
Receivables from international development banks	10,2	0,0	5,1	0,0
Receivables from credit institutions and investment service companies	1 883,6	1 703,8	1 793,7	1 355,0
Receivables from companies	132,0	96,4	114,2	128,7
Retail receivables	68,7	45,3	57,0	32,8
Overdue receivables	6,8	4,1	5,5	2,4
Covered bonds	276,1	23,0	149,6	11,5
Investments in investment funds	8,6	4,2	6,4	2,1
Other items	20,0	13,1	16,6	8,1
Off-balance sheet items	424,4	251,0	337,7	188,3
Total	**3 100,2**	**2 302,5**	**2 701,3**	**1 810,6**

MATURITY DISTRIBUTION OF RECEIVABLES 2009 (EUR million)	Less than 3 mos.	3–12 mos.	1–5 years	5–10 years	Total
Receivables from general government and central banks	150,9	0,0	104,7	0,0	**255,6**
Receivables from regional administration	0,1	0,0	14,0	0,0	**14,1**
Receivables from international development banks	0,0	0,0	10,2	0,0	**10,2**
Receivables from credit institutions and investment service companies	290,1	406,4	1 178,1	9,1	**1 883,6**
Receivables from companies	50,2	51,9	29,8	0,0	**132,0**
Retail receivables	14,1	40,2	14,3	0,0	**68,7**
Overdue receivables	6,8	0,0	0,0	0,0	**6,8**
Covered bonds	89,4	63,3	123,5	0,0	**276,1**
Investments in investment funds	0,0	0,0	8,6	0,0	**8,6**
Other items	8,7	11,3	0,0	0,1	**20,0**
Off-balance sheet items	359,9	0,0	64,5	0,0	**424,4**
Total	**970,1**	**573,2**	**1 547,8**	**9,1**	**3 100,2**

MATURITY DISTRIBUTION OF RECEIVABLES 2008 (EUR million)	Less than 3 mos.	3–12 mos.	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 regional administration	0,0	0,0	0,0	0,0	**0,0**
Receivables from international development banks	0,0	0,0	0,0	0,0	**0,0**
Receivables from credit institutions and investment service 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**
Overdue receivables	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**

RECEIVABLES DUE 2009 (EUR million)	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	**1,5**	**1,0**	**6,8**	**-4,6**	**4,7**

RECEIVABLES DUE 2008 (EUR million)	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 BY LOAN CATEGORY (EUR million)	EXPOSURE VALUE	
Loan category	**2009**	**2008**
0%	816,0	460,7
10%	277,5	23,5
20%	1 677,4	1 637,5
50%	76,5	5,1
75%	68,7	45,3
100%	177,2	126,4
150%	6,8	4,1
	3 100,2	**2 302,5**

Geographically, Finland was the most significant country with regard to exposures. In addition to Finland, the exposures concerned mainly 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.

GEOGRAPHIC DISTRIBUTION OF RECEIVABLES 2009 (EUR million)	Finland	Nordic countries	Other EU member states	Other countries*)
Receivables from general government and central banks	161,6	0,0	94,1	0,0
Receivables from regional administration	14,1	0,0	0,0	0,0
Receivables from international development banks	0,0	0,0	0,0	10,2
Receivables from credit institutions and investment service companies	296,3	587,5	778,1	221,7
Receivables from companies	120,2	9,7	2,0	0,0
Retail receivables	68,7	0,0	0,0	0,0
Overdue receivables	6,8	0,0	0,0	0,0
Covered bonds	91,1	160,0	25,1	0,0
Investments in investment funds	0,0	0,0	8,6	0,0
Other items	2,2	7,8	7,5	2,4
Off-balance sheet items	424,4	0,0	0,0	0,0
Total	**1185,5**	**765,1**	**915,4**	**234,2**

*) Other countries include receivables from Switzerland, Canada, the United States and Australia. In addition, other countries include receivables from international development banks.

GEOGRAPHIC DISTRIBUTION OF RECEIVABLES 2008 (EUR million)	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 regional administration	0,0	0,0	0,0	0,0
Receivables from international development banks	0,0	0,0	0,0	0,0
Receivables from credit institutions and investment service 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
Overdue receivables	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	**1019,5**	**582,0**	**620,2**	**80,8**

*) Other countries = Switzerland, Canada and Australia

In terms of branch categories, the majority of exposures fell in counterparties engaging in financing activities. The figures in the table include Receivables from credit institutions and investment service companies, Receivables from companies and Covered bonds.

BREAKDOWN OF EXPOSURES BY BRANCH OF BUSINESS (EUR million)	31.12.2009	31.12.2008
Financial and insurance activities	2 358,0	1 905,8
Wholesale and retail trade	67,9	212,3
Real estate activities	9,9	4,4
Electricity, gas, steam and air conditioning supply	11,2	5,1
Manufacturing	6,2	39,8
Mining and quarrying	0,0	0,0
Construction	0,1	0,9
Information and communication	7,6	
Public administration and defence; compulsory social security	118,9	
Other	0,4	3,1
No branch category*	519,9	131,1
Total	**3 100,2**	**2 302,5**

* Exposures not falling into branch categories include retail receivables, receivables due, other items and off-balance sheet items.

The Standard Industrial Classification changed at the beginning of 2009.

Banking book interest rate risk

The purpose of banking book risk management at S-Bank is to manage unexpected changes in the bank's net interest income and maximise return on equity within the specified 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 parallel shifts in the interest rate curve 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 2009 (EUR million)

Balance sheet item / next interest rate fixing date	0–1 mos.	1–3 mos.	3–6 mos.	6–9 mos.	9–12 mos.	1–2 years	2–5 years	Total
Liquid assets	20,9	0,0	0,0	0,0	0,0	0,0	0,0	**20,9**
Receivables from credit institutions	130,9	0,0	0,0	0,0	0,0	0,0	0,0	**130,9**
Receivables from the public and public sector entities	97,1	28,1	16,3	4,0	8,5	0,0	0,0	**153,9**
Debt securities	415,1	1161,5	35,9	57,3	38,5	295,7	332,6	**2336,6**
Receivables total	**663,9**	**1189,6**	**52,2**	**61,3**	**47,0**	**295,7**	**332,6**	**2642,3**
Liabilities to the public and public sector entities	-2344,5	-38,2	-38,0	-19,5	-14,1	-21,4	-11,8	**-2487,6**
Subordinated liabilities	-15,0	-5,0	0,0	0,0	0,0	0,0	0,0	**-20,0**
Liabilities total	**-2359,5**	**-43,2**	**-38,0**	**-19,5**	**-14,1**	**-21,4**	**-11,8**	**-2507,6**
Receivables – Liabilities, total	**-1695,6**	**1146,3**	**14,2**	**41,8**	**32,8**	**274,3**	**320,7**	**134,7**

INTEREST-BEARING FINANCIAL ASSETS AND LIABILITIES 2008 (EUR million)

Balance sheet item / next interest rate fixing date	0–1 mos.	1–3 mos.	3–6 mos.	6–9 mos.	9–12 mos.	1–2 years	2–5 years	Total
Liquid assets	28,5	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	**135,4**
Receivables from the public and public sector entities	68,6	24,2	2,5	4,5	0,0	0,0	0,0	**99,8**
Debt securities	455,0	872,8	106,2	19,8	195,2	45,2	71,9	**1766,1**
Receivables total	**687,5**	**897,0**	**108,7**	**24,3**	**195,2**	**45,2**	**71,9**	**2029,8**
Liabilities to the public and public sector entities	-1460,3	-141,9	-164,4	-88,6	-87,6	-9,2	-5,8	**-1957,8**
Subordinated liabilities	-15,0	-5,0	0,0	0,0	0,0	0,0	0,0	**-20,0**
Liabilities total	**-1475,3**	**-146,9**	**-164,4**	**-88,6**	**-87,6**	**-9,2**	**-5,8**	**-1977,8**
Receivables – Liabilities, total	**-787,8**	**750,1**	**-55,7**	**-64,3**	**107,6**	**36,0**	**66,1**	**51,9**

S-Bank uses derivative instruments as part of its risk management. During the financial year 2009, the bank entered into interest rate swaps as part of its interest rate risk management. The counterparties with whom S-Bank had a derivatives agreement were specifically selected banks. S-Bank does not apply hedge accounting.

MATURITY DISTRIBUTION OF DERIVATIVES 31.12.2009 (EUR million)	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS
Interest swaps	5,0	31,5	0,0

MATURITY DISTRIBUTION OF DERIVATIVES 31.12.2008 (EUR million)	LESS THAN 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS
Interest swaps	273,4	14,0	0,0

DERIVATIVE INSTRUMENTS 31 DEC 2009 NOT FOR HEDGING PURPOSES (EUR million)	NOMINAL VALUE	NEGATIVE FAIR VALUE	POSITIVE FAIR VALUE
Interest swaps	36,5	0,5	0,0

DERIVATIVE INSTRUMENTS 31 DEC 2008 NOT FOR HEDGING PURPOSES (EUR million)	NOMINAL VALUE	NEGATIVE FAIR VALUE	POSITIVE FAIR VALUE
Interest swaps	287,4	0,8	2,3

Liquidity risks

The objective of liquidity risk management is to ensure that the bank is able, with a sufficient probability, to meet its payment obligations even in critical 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 market disturbances emerge.

Liquidity and refinancing risks are monitored daily and reported monthly in a 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 250 million. At the end of the financial period, the liquidity portfolio amounted to EUR 378 million. Furthermore, liquidity risk is managed by ensuring that the portfolios contain a sufficient quantity of debt securities eligible for refinancing with central banks.

MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES 2009 (EUR million)

Balance sheet item	0–1 mos.	1–3 mos.	3–6 mos.	6–9 mos.	9–12 mos.	1–2 years	2–5 years	> 5 years	Total
Liquid assets	20,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	**20,9**
Receivables from credit institutions	130,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	**130,9**
Receivables from the public and public sector entities*	42,6	24,2	28,5	16,2	20,7	9,2	12,3	0,0	**153,9**
Debt securities	80,7	301,8	157,3	169,9	157,5	747,0	713,4	9,1	**2336,6**
Receivables total	**275,1**	**326,0**	**185,8**	**186,1**	**178,2**	**756,2**	**725,7**	**9,1**	**2642,3**
Liabilities to the public and public sector entities**	-2344,5	-38,2	-38,0	-19,5	-14,1	-21,4	-11,8	0,0	**-2487,6**
Subordinated liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-20,0	**-20,0**
Liabilities total	**-2344,5**	**-38,2**	**-38,0**	**-19,5**	**-14,1**	**-21,4**	**-11,8**	**-20,0**	**-2507,6**
Receivables – Liabilities, total	**-2069,4**	**287,8**	**147,9**	**166,6**	**164,1**	**734,8**	**713,8**	**-10,9**	**134,7**

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

MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES 2008 (EUR million)

Balance sheet item	0–1 mos.	1–3 mos.	3–6 mos.	6–9 mos.	9–12 mos.	1–2 years	2–5 years	> 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	**1766,1**
Receivables total	**320,5**	**212,6**	**182,5**	**65,5**	**287,6**	**703,4**	**250,8**	**7,0**	**2029,8**
Liabilities to the public and public sector entities**	-1460,3	-139,3	-167,0	-88,6	-87,6	-9,2	-5,8	0,0	**-1957,8**
Subordinated liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-20,0	**-20,0**
Liabilities total	**-1460,3**	**-139,3**	**-167,0**	**-88,6**	**-87,6**	**-9,2**	**-5,8**	**-20,0**	**-1957,8**
Receivables – Liabilities, total	**-1139,8**	**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

OPERATIONAL RISKS

The aim of operational risk management is cost-efficient optimisation of operational risks and unforeseen losses that jeopardize 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 identfying, analysing, managing, tracking and monitoring operational risks arising in the bank's operations.

- An approval process of a new product or sevice is used to assess the risks associated with the new product or service prior to its implementation.
- Self-assessment and monitoring 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 identified risks.
- Incident reporting on operational risks gathers information on occurred anomalous events, materialized 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 bank's functions.

S-Bank has outsourced part of its operational risk management to SOK's Risk Management unit. It has a special supervisory focus on operational risks that are detected in the S Group Companies 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 2009 financial period.

Legal risks

In order to manage legal risks, S-Bank's Legal Affairs – Compliance unit takes part in the preparation of agreements and legal acts binding on the bank. In 2009, the bank entered into nearly fifty non-customer agreements, drafted by the bank's legal affairs staff for the bank. In 2009, the bank was not a party to any court proceedings.

Agreements are archived 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 needs for revising the terms and conditions are reviewed regularly and the terms are updated to correspond to the comments on proposed changes received from the Financial Supervision Authority. Before publishing brochures or advertising material complience unit reviews all the material in order to ensure the compliance with existing legislation. Changes in legislation are monitored by means of an electronic basic service purchased from an external supplier and, furthermore, changes relating to disbursements and payment systems are monitored and executed by participating in the Federation of Finnish Financial Services' joint activities concerning this. In 2009, the Legal Affairs – Compliance unit worked on the preparation of the Act on Payment Services and assessment of its effects on the terms and conditions of the bank's standard agreements. According to the government proposal, the Act will enter into force on 1 May 2010.

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.

NOTES TO BALANCE SHEET ITEMS, 1 000 €

1. Loans and advances to credit institutions	31.12.2009 Repayable on demand	31.12.2009 Other than repayable on demand	31.12.2009 Total
From the central bank	20 901	130 000	150 901
From Finnish credit institutions	892	0	892
Total loans and advances to credit institutions	21 793	130 000	151 793

	31.12.2008 Repayable on demand	31.12.2008 Other than repayable on demand	31.12.2008 Total
From the central bank	28 470	133 000	161 470
From Finnish credit institutions	2 360	0	2 360
Total loans and advances to credit institutions	30 831	133 000	163 831

2. Loans and advances to the public and general government	31.12.2009	31.12.2008
Companies and housing associations	82 122	50 438
Financial and insurance institutions	1 063	2 048
Public sector institutions	100	91
Households	70 615	47 230
Non-profit organisations serving households	11	14
Total	**153 911**	**99 821**
There are no unallocated credit loss provisions.		
Impairment losses at beginning of year	**2 112**	**205**
Group-specific impairment losses recorded in the period	4 644	2 112
Group-specific impairment losses reversed in the period	-2 112	-205
Impairment losses at end of year	**4 644**	**2 112**

3. Debt securities	31.12.2009	31.12.2008
Debt securities not issued by public-sector entities	**Other**	**Other**
Available-for-sale	2 336 570	1 766 106
Treasury bonds and notes	104 741	0
Other bonds and notes issued by general government	14 011	0
Other debt securities	2 217 817	1 766 106
Debt securities, total	**2 336 570**	**1 766 106**
– eligible for refinancing with central banks	1 892 361	1 145 364
– subordinated	9 062	7 682

4. Assets leased under finance leases

Nothing to report

5. Shares and interests	31.12.2009	31.12.2008
Shares and interests		
Available-for-sale	8 604	4 204
Shares and interests in group entities	50	50
Participating interests	3	3
Total	**8 657**	**4 257**
– of which at acquisition cost	8 657	4 257

All shares and interests are held in non-listed companies.

No holdings in credit institutions.

	31.12.2009		
6. Derivative instruments	**Nominal value**	**Positive fair value**	**Negative fair value**
Non-hedging purposes			
Interest rate swaps	36 500	-	-510

Of the nominal value of derivatives, EUR 5,000,000 mature in less than 1 year and EUR 31,500,000 in 1–5 years.

	31.12.2008		
	Nominal value	**Positive fair value**	**Negative fair value**
Non-hedging purposes			
Interest rate swaps	287 400	2 256	-815

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

7. Intangible assets	31.12.2009	31.12.2008
Capitalised IT expenditure	11 433	11 448
Other intangible assets	1 875	3 200
Total	**13 308**	**14 648**

8. Tangible assets

Nothing to report

9. Investment property measured at fair value

Nothing to report

10. Changes in intangible and tangible assets during the financial year	31.12.2009	31.12.2008
Prepayments for intangible assets		
Acquisition cost 1.1 December	1 260	105
Increase	2 389	1 155
Deductions	0	0
Transfers between items	-1 661	0
Acquisition cost 31 December	1 988	1 260
Carrying amount 31 December	1 988	1 260
Intangible assets		
Acquisition cost 1.1 December	18 555	18 274
Increase	2	281
Deductions	0	0
Transfers between items	1 661	0
Acquisition cost 31 December	20 218	18 555
Accumulated depreciation, amortisation and impairment, 1 January	-5 167	-1 610
During the period	-3 732	-3 557
Accumulated depreciation and amortisation 31 December	-8 899	-5 167
Carrying amount 31 December	11 320	13 388
Intangible assets, total, 31 December	**13 308**	**14 648**

11. Other assets	31.12.2009	31.12.2008
Other	2 742	424
Total	**2 742**	**424**

12. Accrued income and prepayments	31.12.2009	31.12.2008
Interest income	21 437	14 484
Other accrued income	631	300
Total	**22 068**	**14 783**

13. Deferred tax assets and liabilities	31.12.2009	31.12.2008
Based on verified losses	4 329	3 484
Deferred tax assets/liabilities arising from the fair value reserve	-3 324	2 000
Deferred taxes on depreciation difference	-795	-747

14. Debt securities issued to the public by the credit institution

Nothing to report

15. Other liabilities	31.12.2009	31.12.2008
Payables arising from payment transactions	10 832	8 065
Other	4 078	8 587
Other liabilities, total	**14 911**	**16 652**

16. Accrued expenses and deferred income	31.12.2009	31.12.2008
Interest expenses	2 097	9 804
Other accrued expenses	2 337	2 592
Total	**4 434**	**12 395**

	31.12.2009			
17. Subordinated liabilities	Carrying amount *	Nominal value	Interest	Maturity date
Loan on debenture terms I/2008	15 040	15 000	Euribor 3 month + 0.5%	15.1.2018
Loan on debenture terms II/2008	5 003	5 000	Euribor 3 month + 0.75%	15.9.2018

*) includes transferred interests

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 Authroity. 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 repaid 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.

	31.12.2009				
18. Distribution of maturity of financial assets and liabilities	Less than 3 mos.	3–12 mos.	1–5 years	5–10 years	Total
Cash	20 901	0	0	0	20 901
Debt securities eligible for refinancing with central banks	96 552	438 309	1 357 501	0	1 892 361
Loans and advances to credit institutions	130 892	0	0	0	130 892
Loans and advances to the public and general government	60 517	70 442	22 936	16	153 911
Debt securities	285 964	46 346	102 836	9 062	444 208
Liabilities to the public and general government	2 382 713	71 638	33 269	0	2 487 620
Subordinated liabilities	0	0	0	20 000	20 000

	31.12.2008				
	Less than 3 mos.	3–12 mos.	1–5 years	5–10 years	Total
Cash	28 470	0	0	0	28 470
Debt securities eligible for refinancing with central banks	39 804	188 954	916 605	0	1 145 364
Loans and advances to credit institutions	135 360	0	0	0	135 360
Loans and advances to the public and general government	54 580	33 436	11 764	42	99 821
Debt securities	171 910	415 400	33 433	0	620 743
Liabilities to the public and general government	1 599 547	343 251	15 028	0	1 957 826
Subordinated liabilities	0	0	0	20 000	20 000

	31.12.2009		31.12.2008	
19. Breakdown of balance sheet items into domestic amounts and where counterparty is a group entity	**Domestic currency**	**From group entities**	**Domestic currency**	**From group entities**
Balance sheet item				
Cash	20 901	0	28 470	0
Loans and advances to credit institutions	130 892	0	135 360	0
Loans and advances to the public and general government	153 911	0	99 821	0
Debt securities	2 336 570	0	1 766 106	0
Derivative instruments	0	0	2 256	0
Shares and interests	8 657	50	4 257	50
Intangible assets	13 308	0	14 648	0
Other assets	24 810	214	15 208	3
Total	**2 689 048**	**264**	**2 066 127**	**53**
Liabilities to the public and general government	2 487 620	768	1 957 826	469
Derivative instruments	510	0	815	
Other liabilities	39 343	0	49 047	288
Total	**2 527 474**	**768**	**2 007 688**	**758**

The balance sheet items contain no items in foreign currencies

20. Securities lending

Nothing to report

21. Securities repurchase agreements

Nothing to report

22. 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, fair value can be determined using valuation methods that are generally accepted in the markets. 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 2009 and 2008 financial periods have not been entered in the income statement.

23. Financial assets measured at cost instead of fair value

Nothing to report

24. Fair values and carrying amounts of financial assets and liabilities	31.12.2009 Carrying amount	31.12.2009 Fair value	31.12.2008 Carrying amount	31.12.2008 Fair value
Financial assets				
Cash	20 901	20 901	28 470	28 470
Loans and advances to credit institutions	130 892	130 892	135 360	135 360
Loans and advances to the public and general government	153 911	154 388	99 821	100 130
Debt securities*	2 336 570	2 336 569	1 766 106	1 766 106
Shares and interests	8 604	8 604	4 204	4 204
Participating interests	3	8	3	8
Shares and interests in group entities	50	50	50	50
Derivative instruments	0	0	2 256	2 256
Financial liabilities				
Liabilities to the public and general government	2 487 620	2 490 574	1 957 826	1 972 735
Derivative instruments and other liabilities held for trading	510	510	815	815
Subordinated liabilities	20 000	17 593	20 000	17 210

* The fair value of bonds does not include accrued interest.

25. Equity items	31.12.2009	31.12.2008
Share capital, 1.1 Dec	16 770	16 770
Increase	16 770	0
Share capital, 31 Dec	**33 540**	**16 770**
Share premium reserve, 1.1 Dec	21 180	21 180
Share premium reserve, 31 Dec	**21 180**	**21 180**
Fair value reserve, 1.1 Dec	-7 693	-160
Increase (+)/decrease(-)	20 477	-7 533
Fair value reserve, 31 Dec	**12 784**	**-7 693**
Invested non-restricted equity reserve, 1.1 Dec	41 618	21 618
Increase	62 830	20 000
Invested non-restricted equity reserve, 31 Dec	**104 448**	**41 618**
Loss from previous periods, 1.1 Dec	-16 307	-10 170
Loss from previous periods, 31 Dec	-16 307	-10 170
Profit/loss for the financial year	2 872	-6 137
Total	**158 518**	**55 567**
Non-distributable items included in non-restricted equity	0	0

26. Share capital

6,708 shares at EUR 5,000 each, totalling EUR 33,540,000. No share classes entitling their holders to a different number of votes or a different sized dividend.

27. Share issues and issues of warrants and convertible bonds

the Extraordinary General Meeting of 5 May 2009 decided to increase S-bank's share capital by EUR 16,770,000.00 from EUR 16,770,000.00 to EUR 33,540,000.00 by offering S Group's cooperatives a total of 3,354 shares for subscription with a nominal value of EUR 5,000.00 at the subscription price of EUR 23,733.00/share. The portion exceeding the nominal value was posted in the invested unrestricted equity reserve.

28. Shareholders and distribution of shareholdings

Shareholder	Ownership
Suomen Osuuskauppojen Keskuskunta	50,0 %
Helsingin Osuuskauppa Elanto	10,0 %
Osuuskauppa Hämeenmaa	3,9 %
Osuuskauppa OSLA Handelslag	0,6 %
Andelslaget Varuboden	0,9 %
Keskimaa OSK	3,3 %
Osuuskauppa Ympäristö	1,4 %
Osuuskauppa Suur-Savo	1,8 %
Osuuskauppa Ympyrä	1,0 %
Etelä-Karjalan Osuuskauppa	1,3 %
Osuuskauppa PeeÄssä	2,9 %
Osuuskauppa Maakunta	1,0 %
Jukolan Osuuskauppa	0,2 %
Pohjois-Karjalan Osuuskauppa	1,6 %
Koillismaan Osuuskauppa	0,4 %
Osuuskauppa Arina	3,3 %
Pirkanmaan Osuuskauppa	3,6 %
Osuuskauppa Keula	0,8 %
Satakunnan Osuuskauppa	1,5 %
Suur-Seudun Osuuskauppa SSO	2,3 %
Turun Osuuskauppa	3,0 %
Etelä-Pohjanmaan Osuuskauppa	2,4 %
Osuuskauppa KPO	2,9 %
Lappajärven Osuuskauppa	0,0 %
Total	**100,0 %**

NOTES TO INCOME STATEMENT ITEMS, 1 000 €

29. Interest income and interest expenses	31.12.2009	31.12.2008
Interest income		
Loans and advances to credit institutions	760	4 005
Loans and advances to the public and general government	5 169	5 277
Debt securities	57 067	67 024
Derivative instruments	2 155	312
Other interest income	24	36
Total	**65 174**	**76 654**
of which intra-group items	8	16
Interest expenses		
Liabilities to credit institutions	0	0
Liabilities to the public and general government	28 971	50 177
Derivative instruments	328	81
Other interest expenses	4	4
Subordinated liabilities	445	831
Total	**29 748**	**51 093**
of which intra-group items	0	0

30. Net income from leasing activities

Nothing to report

31. Income from equity investments

Nothing to report

32. Fee and commission income and expenses	31.12.2009	31.12.2008
Fee and commission income		
from lending	2 434	1 313
from borrowing	1 064	394
from payment transactions	2 325	1 968
from other activities	282	250
	6 105	3 924
Fee and commission expenses		
Other	1 313	854

33. Net income from securities trading	31.12.2009		
	Gains and losses on sales (net)	Changes in fair value (net)	Total
From derivative instruments	0	-1 951	-1 951

	31.12.2008		
	Gains and losses on sales (net)	Changes in fair value (net)	Total
From derivative instruments	70	1 441	1 511

34. Net income from available-for-sale financial assets	31.12.2009	31.12.2008
Net income from disposal of financial assets	7 539	-483

35. Net income from hedge accounting

Nothing to report

36. Net income from investment property

Nothing to report

37. Other operating income	31.12.2009	31.12.2008
Other income	1 407	1 032

38. Other operating expenses	31.12.2009	31.12.2008
Rental expenses	569	377
Other expenses	2 019	1 454
Total	**2 588**	**1 831**

39. Depreciation, amortisation and impairment of tangible and intangible assets	31.12.2009	31.12.2008
Intangible assets		
Depreciation according to plan	3 732	3 557

There are no impairment losses on tangible and intangible assets

40. Impairment losses on loans, other commitments and other financial assets	31.12.2009 Realised contract-specific credit losses, gross	Group-specific impairment losses, gross	Deductions	Total
Loans and advances to the public and general government	4 353	4 644	2 214	6 782

	31.12.2008 Realised contract-specific credit losses, gross	Group-specific impairment losses, gross	Deductions	Total
Loans and advances to the public and general government	359	2 112	299	2 172

41. Income and expenses from other than ordinary activities

Nothing to report

42. Information on business areas and geographical market areas

Nothing to report

NOTES ON COLLATERAL AND CONTINGENT LIABILITIES, 1 000 €

43. Collateral provided	Other collateral 31.12.2009	31.12.2008
Other liabilities	8 604	4 204

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.

44. Pension liabilities

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

45. Leasing and other rental liabilities	31.12.2009	31.12.2008
Due in one year	72	93
Due in more than one year and less than five years	31	62
Total	103	155

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

46. Off-balance sheet commitments	31.12.2009	31.12.2008
Undrawn credit facilities	424 449	250 980

Off-balance sheet commitments have not been given on behalf of companies included in the Group.

47. Collateral received in transfer as referred to in the Financial Collateral Act

Nothing to report

48. Broking receivables and payables

Nothing to report

49. Other off balance sheet arrangements

Nothing to report

NOTES ON STAFF AND MANAGEMENT

	2009		2008	
50. Staff	Average number	Number at 31 Dec 2009	Average number	Number at 31 Dec 2008
Permanent full-time staff	96	95	69	84
Permanent part-time staff	2	4	1	1
Fixed-term staff	3	4	1	3
Total	101	103	71	88

Salaries and fees paid to management	2009	2008
Managing director and his deputy	346	285
Executive Board	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, 1 000 €

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

	31.12.2009	31.12.2008
Basis for classification as a related party	**Loans and advances to the public and general government**	**Loans and advances to the public and general government**
Ownership	39	43
Management	17	20
Management of holding company	14	15
Total	**70**	**79**

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

52. Holdings in other companies

S-Asiakaspalvelu Oy, domiciled in Helsinki	
Shareholding 100%	
Equity (EUR thousand)	50
Result for the period (EUR thousand)	0

S-Crosskey Ab, domiciled in Maarianhamina (Mariehamn)	
Shareholding 40%	
Equity (EUR thousand)	21
Result for the period (EUR thousand)	0

OTHER NOTES

53. Note on trustee services and total amount of customer funds

Nothing to report

NOTE ON AUDIT FEES, 1 000 €

54. Information on the auditors' fees	**31.12.2009**	**31.12.2008**
Korkotuotot		
Audit	126	134
Other services	83	29

S-BANK LTD.
P.O. BOX 77, 00088 S-GROUP, FINLAND
S-PANKKI.FI