ANNUAL REPORT

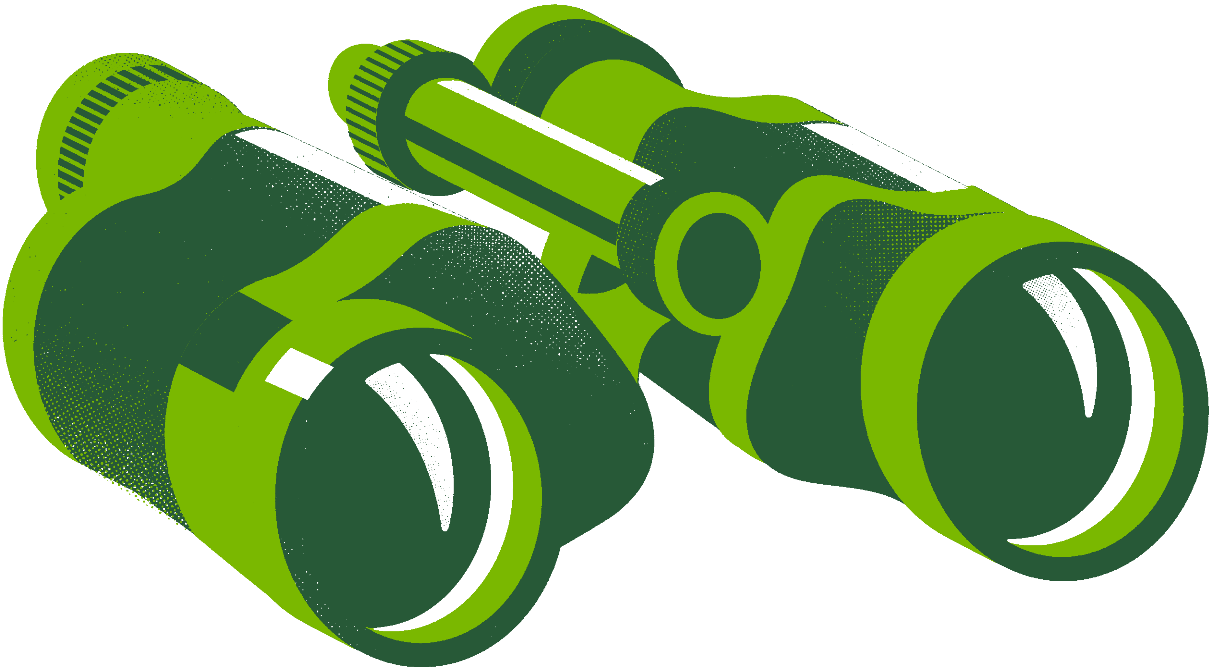
2012

S-Bank


2010 20
2012
2013

ANNUAL REPORT FOR 2012

FINANCIAL STATEMENTS FOR 2012



S-BANK'S VISION

To provide co-op members with the best possible services relating to daily payment transactions, savings and the financing of purchases.

S-BANK IN BRIEF

S-Bank is S Group's own bank. S-Bank is also the only in-store bank in Finland. Its operations are based on user-friendly products, rapid and active service, transparent pricing, easy accessibility, and cooperation with the store.

S-Bank aims to make everyday life easier for co-op members by offering affordable bank services relating to daily payment transactions, savings and the financing of purchases.

S-Bank's products and services are aimed at S-Etukortti card users. S-Etukortti is not only a symbol of co-op membership, but also a versatile international payment card. S-Bank's secure account options are well suited to dealing with daily payment transactions and savings. Customers can pay bills and deal with their other payment transactions through an easy-to-use online bank. S-Bank's credit range consists of affordable Visa credit, S-Tuoteluotto credit payable in instalments at S Group, flexible S-Joustoluotto credit, and S-Laina credit that covers financing needs up to EUR 20,000.

S-Bank's banking transactions can be dealt with during regular shopping trips. Its offices are located at different S Group outlets around Finland. Furthermore, customers can make the most of online banking services and customer service by telephone.

S-Bank is fully in Finnish ownership. It is owned by SOK Corporation (50%) and S Group's cooperatives (total 50%). S-Bank was awarded the Key Flag logo in recognition of the company's Finnish origins.

S-BANK'S KEY NUMBERS AT THE END OF 2012

2.6 million customers

EUR 2,473 million in deposits

1.1 million S-Etukortti Visa cards

1.2 million e-service users

19.4% as capital adequacy ratio

EUR 6.4 million as the result

CO-OP MEMBERS OWN BANK

S-Bank provides us, the co-op members, with banking services free of charge. We deal with our bank transactions conveniently in connection with shopping or through online banking. When we pay with the S-Bank card, we get not only a payment method-related benefit, but also the Bonus.

REVIEW BY THE MANAGING DIRECTOR:

CUSTOMER BENEFITS OFFERED FOR FIVE YEARS ALREADY

S-Bank has continued with its deposit banking operations for five years and gained a firm foothold in the Finnish banking sector. Proof of this is both S-Bank's constantly increasing number of customers and steadily growing visibility. An increasing number of Finns regard S-Bank as an option worth consideration when choosing bank partners.

After five operating years, it is worthwhile to review our achievements so far and look to the future. We revised S-Bank's customer strategy and specified our goals for the future in the past year. The purpose of our operations, to provide co-op members with benefits, has produced a medium-term goal that was entered in our customer strategy: to provide customers with the maximum benefit through banking services.

The development of customer benefits calls for the capability of listening attentively to customer wishes and needs. We have shared everyday challenges and actively discussed with our customers, for instance on Facebook and Twitter, in the past year.

Positive feedback from our customers will encourage us to continue with these activities. It is particularly delightful to note that those who have used our services actively were also the most satisfied with them. EPSI Rating published a customer satisfaction study focused on banks in October. According to this study, S-Bank's customers evaluate S-Bank's products to be of the best quality. We have also discovered this in our own studies. In addition, customers felt that their own bank offers the best value for their money. I am especially proud of the third number-one ranking in customer loyalty that we gained in the EPSI study. This means that we are on the right track.

S-Bank's operating result for 2012 totalled EUR 6.4 million. Financial performance was as expected in 2012 although the result decreased from the previous year. We operate in a challenging environment in which the attainment of results requires more strenuous efforts from us than before due to the low interest rates that have remained in effect for an exceptionally long time, the costs caused by stronger regulation, and the bank tax valid from the beginning of 2013.

PEKKA YLIHURULA
Managing Director, S-Bank

CO-OP MEMBERS' OWN BANK

2012

S-Bank's fifth operating year included a number of significant events. At the end of March, S-Bank passed the milestone of one million Visa card users. At the beginning of April, we expanded our credit range with the S-Laina credit product, which covers financing needs up to EUR 20,000. In autumn, we introduced new gift vouchers in which the user does not have to use the whole amount loaded on the card all at once. We also improved our online banking system to better meet the needs of our customers.

The interest shown by co-op members in S-Bank's services that are based on the S-Etukortti Visa card continued in 2012 and the number of S-Bank's customers continued to grow. At the end of the year, S-Bank had a little less than 2.6 million customers.

In 2012, nearly 200,000 customers were granted the S-Etukortti Visa payment card. At the end of the year, the number of issued S-Etukortti Visa cards was over 1.1 million and nearly 1.2 million customers had started to use S-Bank's online banking IDs.

At the end of the year, the amount of deposits by private customers at S-Bank totalled EUR 2,336 million. Corporate deposits included, S-Bank's total funds on deposit were EUR 2,473 million at year-end; i.e. at the same level as in 2011.

Customers have recently become more aware of S-Bank's affordable credit products. Lending to private customers increased by EUR 37 million, standing at EUR 241 million at year-end.

S-Bank Group's operating result totalled EUR 6.4 million and the capital adequacy ratio was 19.4 per cent at year-end.

FINANCIAL STATEMENTS

2012

S-Bank

REPORT OF THE EXECUTIVE BOARD

1.1.–31.12.2012

OPERATING ENVIRONMENT

EARLY IN 2012, athe European Central Bank's fiscal policy stabilised confidence in the European economy, and thus reduced additional credit risks. The notification by the European Central Bank of a government loan purchase programme further curbed growth in the loan interest of the countries in crisis. The European Central Bank reduced its main interest rate in July and new reductions in interest rates were expected to take place in 2013. As a result, short-term market interest rates will remain low.

Economic growth in Finland slowed down during the year as a result of the sluggish growth in demand in the home market. Inflation accelerated at the beginning of the year but decelerated to a level around two per cent by the end of the year. Economic growth is expected to remain weak in 2013. However, gradual growth will be visible during the latter part of the year.

FINANCIAL STANDING

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank's financial performance for 2012 was good. However, operating profit was affected by low interest rate levels and increased expenses due to operational development, and thus it decreased by EUR 1.5 million from the previous year. The operating profit for 2012 was EUR 6.4 million (7.9). The profit for the period after taxes totalled EUR 4.8 million (7.0)

Capital adequacy strengthened clearly from the previous year. Besides its operating result, the increase in the bank's own funds was above all attributable to a favourable development in the fair value reserve, and the capital adequacy ratio was 19.4 per cent (16.3).

The decreased operating result weakened S-Bank's cost/income ratio compared to the previous year, to 0.89 (0.85). As a result of the increase in equity, the return on equity fell to 2.7 per cent (4.4). The return on assets remained at the previous year's level, standing at 0.2 per cent (0.2).

The financial statements drawn up for the financial year 2012 are S-Bank's second consolidated financial statements. The comparison data for 2010 are presented only for S-Bank Ltd.

KEY FINANCIAL INDICATORS (EUR MILLION)	**12/2012**	**12/2011**	**12/2010**
Net interest income	49.0	51.5	38.3
Net fee and commission income	10.5	8.9	7.4
Other income	8.9	-1.8	15.4
Net income (EUR million)	**68.4**	**58.7**	**61.2**
Operating expenses	-61.0	-50.1	-45.8
Credit and impairment losses	-1.0	-0.7	-2.9
Operating profit/loss (EUR million)	**6.4**	**7.9**	**12.5**
Borrowing	2 770.5	2 673.1	2 452.0
Lending to the public	360.0	300.8	299.0
Debt securities	2 382.1	2 269.7	2 096.7
Cost/income ratio	0.89	0.85	0.75
Return on equity	2.7%	4.4%	7.7%
Return on assets	0.2%	0.2%	0.5%
Equity ratio	6.7%	5.2%	6.1%
Capital adequacy ratio	19.4%	16.3%	20.8%

Income

Net income increased year-on-year, totalling EUR 68.4 million (58.7), as net interest income constituted the most significant item of net income. The low interest rates affected the bank's net interest income, which decreased from the previous year, standing at EUR 49.0 million (51.5). Income in net interest income consisted mainly of investments in money and capital markets, but the interest income from credit card and credit products also played a significant role. Interest expenses consisted mainly of interest on deposits paid to customers.

The development of net fee and commission income continued to be strong. It showed an increase of EUR 1.6 million (1.5) from the previous year. The net fee and commission income generated through card and consumer credit business, borrowing, and payment transactions totalled EUR 10.5 million (8.9) in 2012. Other income totalled EUR 8.9 million (-1.8), consisting of net income from financial assets available for sale, net income from securities trading, other operating income, net income from hedge accounting and net income from investment property with such indirect entries as all income and expenses from the bank's two real estate subsidiaries. As a result of realising debt securities, net income from financial assets available for sale totalled EUR 16.7 million (1.7). As a result of derivatives recognised at fair value through profit and loss, net income from securities trading decreased to EUR -13.4 million (-7.3). Other operating income stood at EUR 5.1 million (3.6), including income produced by services offered to cooperative enterprises by a subsidiary that has concentrated on the bank's customer service as a result of the consolidation in the financial statements. Such income totalled EUR 1.8 million (1.6). Net income from hedge accounting started at the end of the financial period totalled EUR 0.0 million and net income from investment properties totalled EUR 0.5 million (0.4).

Expenses

The development of and increase in operations resulted in increased expenses as well. Operational expenses totalled EUR 61.0 million (50.1). The most significant individual expense item was IT and Information Management, totalling EUR 15.0 million (13.8). Other administrative expenses totalled EUR 38.8 million (30.6), including, besides IT and Information Management expenses, other significant items, such as commissions paid to S Group cooperatives acting as agents, and marketing costs.

Personnel expenses totalled EUR 14.2 million (12.1). The growth compared to the previous year is attributable to an increase in the number of employees.

Depreciation for the period amounted to EUR 4.3 million (4.1). Other operating expenses, totalling EUR 3.8 million (3.3), consisted of leases and rents for office premises, machinery and equipment, vehicle expenses and contribution payments for the Deposit Guarantee Fund.

Credit and impairment losses

Credit and impairment losses remained at a low level in 2012 due to a favourable clientele structure as well as efficient credit monitoring and collection measures. Net loss recognised for the period totalled EUR 1.0 million (0.7). Recovery of credit losses amounted to EUR 1.5 million (2.8).

Borrowing

Fierce competition for deposits continued, but S-Bank's market share remained unchanged in deposits by private customers. Customers began to favour demand accounts over fixed-term deposits. At year-end, the amount of demand deposits totalled EUR 1,829.7 million (1,702.7), and the amount of fixed-term deposits totalled EUR 506.6 million (669.0). At year-end, the amount of corporate deposits totalled EUR 134.3 million (101.4). On the balance sheet date, borrowing totalled EUR 2,770.5 million (2,673.1).

Investment business and lending

S-Bank invested a major part of its capital in the money and capital markets. At the end of the financial period, S-Bank's debt securities totalled EUR 2,382.1 million (2,269.7), of which the debt securities eligible for refinancing with central banks accounted for EUR 1,943.9 million (1,840.3). New products and increased interest in S-Bank's products increased lending consisting of card and consumption credit receivables, as well as account receivables and working capital limit receivables. On the balance sheet date, lending totalled EUR 360.0 million (300.8).

Equity

Equity was EUR 207.8 million (151.2) at the end of the financial year. In addition to the result, equity was above all increased by a significant improvement in the fair value reserve. The fair value reserve was EUR 35.5 million (-16.3) at the end of the financial period.

Because of the growth of equity, the bank's equity ratio rose to 6.7 per cent (5.2).

CAPITAL ADEQUACY

DISCLOSURE OF CAPITAL ADEQUACY INFORMATION

In Finland, banking operations and related risks are regulated through the monitoring of capital adequacy, for instance. The capital adequacy framework is comprised of three interlinked entities, or pillars. Pillar I defines the minimum requirement for capital adequacy; Pillar II obligates the bank to draw up an overall evaluation of its risk profile and the adequacy of its own funds in relation to these risks; and Pillar III contains the information on the bank's risks that is disclosed to the public. In accordance with Pillar III, capital adequacy information should be disclosed at least once per year, taking the principle of materiality into consideration.

S-Bank observes the information disclosure requirement by publishing information of the capital adequacy of its own funds once per year in the Report of the Executive Board. As regards different types of risks and risk management, the information is published in the Notes to the Financial Statements. In special situations, the information on capital adequacy is also published in the Interim Report. Such a special situation is realised 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.

S-Bank does not disclose information relating to the capital adequacy requirement for the market risk since S-Bank does not hold a trading portfolio in accordance with the 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. S-Bank does not have items categorised as other own funds.

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, Tier I funds consist of invested non-restricted equity reserve, retained earnings and S-Bank's voluntary provisions with the deferred tax liability deducted. In a consolidated company, such appropriations are reversed and returned to the financial result 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.

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 included in upper Tier II own funds less deferred taxes in accordance with the corporate tax rate. In accordance with the prudence principle, the negative fair value reserve is taken into consideration in Tier II own funds without deferred tax assets.

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 ADEQUACY

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

Management of capital adequacy is part of S-Bank's annual strategy process. The process of managing capital adequacy is based on comprehensive identification and analysis of both risks caused by changes in the external operating environment and other risks, and aims to prevent any negative impact resulting from these risks on the bank's business operations. The amount of own funds required by S-Bank depends on the risk-taking willingness and level specified in the strategy, as well as identified risks.

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 considered to belong only partially under Pillar I (calculation of minimum capital adequacy) or remain completely outside Pillar I. Together with the strategic objectives and operational concept specified by the bank's Executive Board and the risk-taking willingness derived therefrom, the risk analyses constitute the risk-based capital need that the Executive Board confirms as part of its annual capital plan. In addition to capital requirements, 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 the bank's own funds under Pillar I is mainly attributable to credit risk. In the calculation of the minimum capital adequacy for its 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 its own funds to market risk during the financial year 2012.

As regards credit risk, S-Bank estimated on the basis of its risk profile that the bank's own funds cover the risk-based capital requirement under Pillar II. The same applies to operational risks, as the minimum requirement for the bank's own funds in the net income-based operational risks increases with the increase in operations, and the risk-based capital requirement is not estimated to exceed this requirement.

As regards market risks, risks in the external operating environment, operational concentration risks and liquidity risks, S-Bank considers that the bank's own funds cover the risk-based capital requirement for these risks.

S-Bank's minimum capital adequacy target is 15 per cent. The calculation of the capital adequacy ratio is presented at the end of the report. S-Bank closely monitors the development of its balance sheet structure and undertakes measures immediately if its capital adequacy or own funds are in danger of falling below the minimum target set by the bank itself. Meeting the target is ensured by restricting or decreasing the risk. Secondarily, the Board decides on how to increase the bank's own funds.

OWN FUNDS (EUR MILLION)	**12/2012**		**12/2011**	
	Group	Bank	Bank	Group
Tier I own funds without deduction items	**172.3**	**172.1**	**167.5**	**167.3**
Share capital	33.5	33.5	33.5	33.5
Share premium reserve	21.2	21.2	21.2	21.2
Invested non-restricted equity reserve	104.4	104.4	104.4	104.4
Voluntary provisions		2.8		2.5
Retained earnings				
Profit/loss from previous periods	8.3	5.7	1.4	-1.1
Profit/loss for the financial period	4.8	4.5	7.0	6.8
Deduction items				
Intangible assets	12.6	12.5	12.8	12.7
Tier I own funds total	**159.8**	**159.6**	**154.7**	**154.6**
Tier II own funds	**55.5**	**55.5**	**-1.6**	**-1.6**
Fair value reserve	35.5	35.5	-21.6	-21.6
Debentures	20.0	20.0	20.0	20.0
Own funds total	**215.2**	**215.1**	**153.1**	**153.0**
Capital adequacy ratio	**19.4%**	**19.4%**	**16.3%**	**16.3%**
Capital adequacy ratio for Tier I own funds	**14.4%**	**14.4%**	**16.5%**	**16.5%**

The Group's capital adequacy improved from the previous year due to an increase in the bank's own funds, and the capital adequacy ratio was 19.4 per cent (16.3). In addition, the minimum requirement for the bank's own funds increased due to an increase in the balance sheet and risk-weighted receivables. At the end of the financial year, the Group's own funds totalled EUR 215.2 million (153.1), whereas the minimum requirement for its own funds was EUR 89.0 million (75.1). These own funds were most significantly tied by the credit risk capital adequacy requirement and its items, such as "Claims or contingent claims on institutions","Claims or contingent claims on corporates" and "Retail claims or contingent retail claims". The figures are nearly the same with S-Bank Ltd, as the importance of subsidiaries subject to consolidation is insignificant in own funds and capital adequacy because of their operational nature and minor balance sheet level.

MINIMUM AMOUNT OF OWN FUNDS (EUR MILLION)	**12/2012**		**12/2011**	
Minimum capital adequacy requirement for credit risk	**Exposure value**	**Own funds**	**Exposure value**	**Own funds**
Claims or contingent claims on central governments or central banks	196.1	0.7	252.0	0.1
Claims or contingent claims on regional governments or local authorities	19.4	0.0	9.7	0.0
Claims or contingent claims on administrative bodies and non-commercial undertakings	0.0	0.0	0.0	0.0
Claims or contingent claims on multilateral development banks	5.4	0.0	5.2	0.0
Claims or contingent claims on institutions*	1 851.5	33.6	1 754.7	30.1
Claims or contingent claims on corporates	228.7	17.8	188.8	14.2
Retail claims or contingent retail claims	237.3	14.2	198.1	11.9
Claims or contingent claims secured on real estate property	2.6	0.1	3.1	0.1
Past due items	10.3	1.2	9.7	1.2
Claims in the form of covered bonds	303.7	2.8	259.0	2.2
Claims in the form of collective investment undertakings	83.6	6.7	74.0	5.9
Other items	40.0	1.4	36.5	1.8
Off-balance sheet commitments	659.0	2.6	584.2	1.5
Total	**3 637.5**	**81.2**	**3 375.1**	**69.0**
Minimum capital adequacy requirement for credit risk, total		**81.2**		**69.0**
Minimum capital adequacy requirement for market risk		Noth. to report		Noth. to report
Minimum capital adequacy requirement for operational risks		**7.8**		**6.1**
Minimum amount of own funds, total		**89.0**		**75.1**

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

OPERATIONS OF S-BANK'S SUBSIDIARIES

S-ASIAKASPALVELU OY

S-Asiakaspalvelu Oy is a wholly-owned subsidiary of S-Bank. Established on 8 August 2007, S-Asiakaspalvelu provides data processing and other services related to a credit institution's core operations as a service company pursuant to the Credit Institutions Act (9.2.2007/121).

S-Asiakaspalvelu's revenue for the financial period was EUR 5.5 million (4.7), of which EUR 3.7 million (3.1) was intragroup revenue. Other revenue consisted of telephone services for co-op members offered to cooperative enterprises. Expenses mainly related to personnel, and the company had 104 employees (84) on the payroll at the end of the year. S-Asiakaspalvelu's operating profit was EUR 0.0 million (0).

PROPERTY COMPANIES

In 2011, S-Bank acquired the entire share capital of two mutual property companies: Kiinteistö Oy Limingan Terminaali and Kiinteistö Oy Lempäälän Terminaali. The business branch of these companies is to own and manage, in accordance with the articles of associations, space and a parcel of land and the industrial and terminal properties due to be built on them.

The logistics terminals were completed and came into use in 2009 and 2010. Both of them have Inex Partners Oy as the lessee with a long-term lease. This company is part of SOK Corporation.

Income and expenses allocated to the mutual property companies are mainly recognised in net income from investment properties at S-Bank Group and S-Bank Ltd.

ADMINISTRATION

GENERAL MEETINGS

The Annual General Meeting was held on 10 April 2012. The meeting adopted the financial statements for 2011 and released the Executive Board and Managing Director from liability. The meeting resolved not to distribute any dividend. The number of Executive Board members was confirmed as six, and the members were nominated. It was decided that there will be one auditor. KPMG Oy Ab, Authorised Public Accountants, was elected as auditor.

EXECUTIVE BOARD

YThe General Meeting of Shareholders confirms the number of members in the Executive Board and nominates them for a term of one year. The Board shall elect the Chairman and Vice-Chairman from among its members. The Executive Board has rules of procedure, duly confirmed, according to which the Executive Board is responsible for the bank's strategic development, the steering and control of its operations and for deciding on the company's main operating principles and general values in accordance with 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 (8) times per year.

At the Annual General Meeting, the following persons were re-elected as the members of the S-Bank Executive Board: Jari Annala, Senior Vice President, CFO; Matti Niemi, Managing Director; Veli-Matti Puutio, Managing Director; Arto Piela, Managing Director; Juha Ahola, Senior Vice President, SOK Finance; and Arttu Laine, Managing Director as a new member. Folke Lindström, Commercial Counsellor, resigned from the Executive Board. The Executive Board elected Jari Annala as Chairman and Arto Piela as Vice Chairman. However, Arto Piela resigned from the bank's Executive Board in October, after which the five remaining Board members have continued with their operations in compliance with the Articles of Association.

The Executive Board convened 13 (14) times during the financial year, and the average rate of attendance was 86.8 per cent (92.9). 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 the 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, Pekka Ylihurula has acted as S-Bank Ltd's Managing Director. General Counsel Veli-Matti Parmala is the Deputy Managing Director.

PERSONNEL

At the end of the year, the Group employed a total of 286 persons (239). Of personnel, 182 persons (158) work for S-Bank and 104 (81) for S-Asiakaspalvelu Oy. The salaries and fees paid to personnel amounted to EUR 11.6 million (9.8), of which the salaries and fees paid by S-Bank Ltd were EUR 8.6 million (7.3) and those paid by S-Asiakaspalvelu Oy were EUR 3.0 million (2.5).

S Group's 21 cooperative enterprises operate as S-Bank's agents. In 2012, training of S-Bank's agents was arranged in accordance with a training programme approved by the Management Team. Training focused on ensuring the competence and quality of service required in the banking business, developing sales competence and improving comprehensive customer service. Customer satisfaction surveys show that the competence and service quality of the agent network was excellent.

The competence of S-Asiakaspalvelu Oy's personnel is ensured through continuous training at work. The survey carried out at the end of 2012 indicated that the competence and service levels shown by S-Asiakaspalvelu Oy's personnel were good.

WAGES, SALARIES AND REMUNERATION

S-Bank's Compensation and Nomination Committee annually prepares performance-based compensation principles for the bank's personnel in accordance with its rules of procedure, and submits them to the bank's Executive Board for confirmation. The Compensation and Nomination Committee consists of the Chairman (who acts as Chairman of the Committee) and Vice-Chairman of the bank's Executive Board, and at least one member nominated by the Executive Board from among its members.

S-Bank has only a short-term compensation system in use. It specifies that the performance-based compensation system is valid for one year at a time. The performance-based compensation target depends on the whole bank's shared targets, unit-level targets and personal targets. The performance-based compensations are paid in cash.

In 2012, S-Bank paid EUR 8.0 million (6.7) in salaries and EUR 0.6 million (0.5) in fees. In 2012, S-Asiakaspalvelu Oy paid EUR 2.9 million (2.4) in salaries and EUR 0.1 million (0.1) in fees.

No meeting fees were paid to S-Bank's Executive Board members. The personnel members whose operation essentially affects the credit institution's risk profile were paid EUR 1.6 million (1.4) in salaries and EUR 156,000 (164,000) in fees in 2012. A total of 25 persons (22) were entitled to these salaries and fees. During the one-year earnings period, no changeable fee paid to individuals entitled to this fee was higher than EUR 50,000.

Those who left the company during the financial year were paid normal pay for the period of notice. No special severance pay was paid.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

There were no significant events after the end of the financial period.

OUTLOOK FOR 2013

Short-term market interest rates will remain low. However, there is a turn for the better visible in economic growth forecasts. This is indicated by a gradual increase in the purchase manager index of the euro area and the actions taken by the European Central Bank to increase the amount of money and revive the economy. However, uncertainty concerning political decision-making will pose a challenge to the improvement of the economy.

The low interest rates will affect S-Bank's outlook for operating profit most significantly. In 2013, the consolidated result is expected to remain at the same level as in 2012.

EXECUTIVE BOARD'S PROPOSAL FOR THE DISPOSAL OF DISTRIBUTABLE FUNDS

The Executive Board proposes that the parent company S-Bank's profit for the financial year, EUR 4,476,594.43, 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 securities trading and currency operations + Net income from available-for-sale financial assets + Net result from hedge accounting + Net income from investment property + Other operating income

Cost/income ratio:

Administrative expenses + Depreciation and impairment losses on tangible and intangible assets + Other operating expenses (excl. impairment losses)

Net interest income + Income from equity investments + Net fee and commission income + Net income from securities trading and currency operations + 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 for 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 for 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%

CONSOLIDATED BALANCE SHEET

ASSETS, EUR THOUSAND	Note	31.12.2012	31.12.2011
Cash	17, 18, 23	164 232	6 785
Debt securities eligible for refinancing with central banks			
Other	3, 17, 18, 23	1 943 855	1 840 269
Receivables from credit institutions	1, 17	46 214	203 018
Repayable on demand		576	512
Other		45 638	202 506
Receivables from the public and public sector entities	2, 17, 18, 23	360 035	300 823
Repayable on demand		10 592	9 716
Other		349 444	291 106
Debt securities	3, 17, 18, 23		
Other		438 283	429 435
Shares and participations	5, 18, 23	83 588	74 031
Shares and participations in associated companies	5, 23	0	1
Derivative contracts	6, 18, 23	179	511
Intangible assets	7, 9, 18	12 573	12 780
Tangible assets	8, 9, 18	13 665	14 346
Other assets	10	2 218	3 963
Accrued income and prepayments	11	33 152	26 377
Deferred tax assets	12	0	5 304
ASSETS, TOTAL		**3 097 995**	**2 917 641**

LIABILITIES, EUR THOUSAND	Note	31.12.2012	31.12.2011
LIABILITIES			
Liabilities to credit institutions		300 000	200 000
To central banks	17, 18, 23	300 000	200 000
Liabilities to the public and public sector entities	17, 18, 23	2 500 022	2 508 123
Deposits		2 471 917	2 472 610
Repayable on demand		1 962 838	1 803 635
Other		509 079	668 975
Other liabilities		28 105	35 513
Repayable on demand		27 219	31 628
Other		886	3 885
Derivatives and other liabilities held for trading	6, 18, 23	17 610	7 811
Other liabilities	14, 18		
Other liabilities		20 072	13 328
Accruals, deferred income and advances received	15	19 000	15 381
Subordinated liabilities			
Other	16, 17, 23	20 000	20 000
Deferred tax liabilities	12	13 473	1 840
LIABILITIES TOTAL		2 890 177	2 766 485
EQUITY			
Share capital	24	33 540	33 540
Share premium reserve	24	21 180	21 180
Other restricted reserves			
Fair value reserve	24		
On measurement at fair value		35 477	-16 346
Non-restricted reserves			
Invested non-restricted equity reserve	24	104 448	104 448
Profit (loss) from previous financial periods	24	8 334	1 381
Profit (loss) for the financial period	24	4 838	6 953
EQUITY, TOTAL	24	207 818	151 157
LIABILITIES, TOTAL		**3 097 995**	**2 917 641**
OFF-BALANCE SHEET COMMITMENTS			
Commitments given on behalf of a customer	43		
Irrevocable		65 655	36 259
Other		593 381	546 982

CONSOLIDATED INCOME STATEMENT

EUR THOUSAND	Note	31.12.2012	31.12.2011
Interest income	25	78 786	76 123
Interest expenses	25	-29 770	-24 581
NET INTEREST INCOME		**49 016**	**51 541**
Fee and commission income	28	13 531	10 981
Fee and commission expenses	28	-3 075	-2 047
Net income from securities trading and currency operations			
Net income from securities trading	29	-13 371	-7 347
Net income from currency operations	29	16	0
Net income from available-for-sale financial assets	30	16 684	1 665
Net income from hedge accounting	31	-6	0
Net income from investment property	32	513	354
Other operating income	33	5 092	3 557
Administrative expenses		-52 962	-42 671
Personnel expenses			
Salaries, wages and remuneration		-11 597	-9 834
Indirect personnel expenses			
Pension expenses		-2 066	-1 696
Other indirect personnel expenses		-522	-528
Other administrative expenses		-38 777	-30 612
Depreciation, amortisation and impairment of tangible and intangible assets	35	-4 269	-4 148
Other operating expenses	34	-3 781	-3 280
Impairment losses on loans and other receivables	36	-968	-713
Share of equity earnings in associated companies		-1	-3
OPERATING PROFIT (LOSS)		**6 421**	**7 891**
Income taxes		**-1 582**	**-938**
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**4 838**	**6 953**

CONSOLIDATED CASH FLOW STATEMENT

EUR THOUSAND	1.1.-31.12.2012	1.1.-31.12.2011
CASH FLOW FROM OPERATIONS		
Interest, fee and commission income	88 185	86 248
Interest, fee and commission expenses	-30 162	-20 462
Payments received on loans recorded as credit losses	456	305
Other income	17 451	-613
Payments to suppliers of goods and services, and personnel	-54 023	-46 166
	21 908	**19 312**
Increase (-) or decrease (+) in operating assets:		
Current assets	5 646	-4 778
Net increase in credit card and overdraft receivables	-60 508	-2 527
Increase (+) or decrease (-) in operating liabilities:		
Deposits from customers	-693	20 958
Current liabilities	98 501	207 059
Net cash provided by (used in) operating activities before income taxes	64 853	240 025
Income taxes	-2 597	0
Net cash from operations	**62 256**	**240 024**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of subsidiaries	0	-3 229
Other shares and participations	-23	0
Purchase of intangible assets	-4 063	-4 235
Net cash provided by (used in) investment activities	-4 086	-7 464
Net cash provided by (used in) investment activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loan receivables	0	-10 111
Net cash provided by (used in) financing activities	**0**	**-10 111**
Net increase in cash and cash equivalents	58 170	222 449
Cash and cash equivalents at the beginning of the financial period	2 575 871	2 353 422
Cash and cash equivalents at the end of the financial period	2 634 042	2 575 871

NOTES TO THE FINANCIAL STATEMENTS

THE COMPANY

S-Bank Group consists of S-Bank Ltd (S-Bank) and its subsidiaries. S-Bank is a deposit bank that engages in credit institution operations pursuant to the Credit Institutions Act (9.2.2007/121), providing its customers with services related to saving, payment transactions and the financing of purchases.

S-Bank's headquarters and office are located at Fleminginkatu 34, FI-00510 Helsinki, Finland. The bank does not have any other branch offices. Under agency agreements, customer service is also provided by the S Group cooperative enterprises at their outlets.

On 11 February 2013, the Executive Board approved the financial statements for the period 1 January – 31 December 2012.

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, the Decree on Financial Statements and Consolidated Financial Statements of Credit Institutions and Investment Firms (MFD) given by the Ministry of Finance, as well as the Finnish Financial Supervisory Authority's regulations concerning the income statement, balance sheet and notes to the financial statements, effective as of 1 December 2005 and updated on 18 November 2008. In preparing the financial statements, the general instructions issued by the Finnish Accounting Standards Board (KILA) have also been considered, as applicable.

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

PRINCIPLES OF CONSOLIDATION

In addition to S-Bank Ltd, the consolidated financial statements include S-Asiakaspalvelu Oy, Kiinteistö Oy Limingan Terminaali and Kiinteistö Oy Lempäälän Terminaali. These companies are wholly owned by S-Bank. S-Bank has no ownership over 50 per cent in other companies. The subsidiaries acquired are included in the financial statements using the acquisition cost method. The companies possibly acquired during the financial year have been consolidated from the date of acquisition. The associated company S-Crosskey Ab has been consolidated using the equity method.

Intra-Group transactions, receivables and liabilities have been eliminated from the consolidated financial statements.

ITEMS DENOMINATED IN FOREIGN CURRENCY

The financial statements are presented in euros. The items denominated in foreign currency were recognised at the rate on the date of the transaction. On the balance sheet date, the items denominated in foreign currency are converted into euros at the exchange rate of the balance sheet date.

Exchange rate differences are recognised as exchange rate profit/loss in the income statement, as regards financial items, they are recognised in net income from securities trading and currency operations, and as regards trade payables, in other administration costs.

FINANCIAL ASSETS AND LIABILITIES

S-Bank Group applies a settlement-date practice when recognising financial assets and liabilities in the balance sheet. An item belonging to financial assets or liabilities is initially recognised 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 values of certificates of deposit, commercial papers or derivative contracts (excluding futures contracts) are determined by discounting future cash flows to the present value, applying market interest rates on the balance sheet date. Bonds, notes and futures contracts are measured at market prices. Financial assets at fair value are measured using the bid price, while financial liabilities at fair value are measured using the asked rate.

Financial assets or liabilities at fair value through profit and loss include bonds and notes and other domestic and foreign securities and participations that are actively traded and have been acquired for short-term gain. Derivative contracts to which hedge accounting has not been applied are also included. On the balance sheet date, S-Bank entered only derivative contracts in this item.

Financial assets or liabilities at fair value through profit and loss are measured at fair value. The change in fair value is entered in the income statement. The difference between the balance sheet date value of the financial instruments recognised at fair value and the carrying value from the previous financial statements is recognised as the income or expense for the period in the income statement. If 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 or are held to maturity. Held-to-maturity investments are measured at amortised acquisition cost using the effective interest method. On the balance sheet date, S-Bank had no financial assets that would have been recognised as financial assets held to maturity.

Financial assets which are not quoted on the secondary market, for which the payments are fixed or floating and which do not fall under financial assets at fair value through profit or loss, financial assets held to maturity or available-for-sale financial assets are recognised as loans and other receivables. 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 acquisition cost 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 value. Investments that are not publicly quoted are measured by means of generally approved valuation methods in the market. Should this not yield a reliably definable fair value, 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.

An item belonging to other financial liabilities is recognised in the financial statements at its nominal value when its fair value is the nominal value. If the debt capital received differs from the nominal value of the liability, the liability is entered in the amount received. The amount of the difference between the debt's nominal value and the cost, which is 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 debt-related fee, or an expense that is part of a debt-related interest expense, 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 on the balance sheet date using the effective interest method.

Impairment of financial assets

On 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, for example, a customer's delay in payment, insolvency or bankruptcy, reorganisation or rearrangement of debts, or a major change in the credit rating. Should there be objective evidence of impairment, an impairment loss is recorded.

The amount of an impairment loss on financial assets recorded at amortised cost is determined as the difference between the carrying amount of an asset and the present value of estimated future cash flows from the asset, including the fair value of any collateral. 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 is attributable 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 on a group-specific basis, but on the basis of the above-mentioned criteria for evaluation of impairment.

When there is objective evidence of the impairment of bonds, notes, or shares included in available-for-sale financial assets, the cumulative loss that had been directly recognised in equity is 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 on the reporting date. Should the fair value of notes or bonds classified as available-for-sale subsequently increase and should the increase objectively relate 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.

Hedge accounting

Derivative contracts are primarily used for hedging purposes, but S-Bank has not previously applied hedge accounting. At the end of the period under review, S-Bank started to apply small-scale hedge accounting of fair value to agreements that meet documented efficiency and other prerequisites that relate to hedge accounting. In these cases, the open interest rate risk is protected with interest rate swaps that have further been determined to be protective items in hedge accounting.

The changes in fair value resulting from hedged risk of protected items are recognised under item "Net result from hedge accounting" in the income statement. The changes in fair value other than those resulting from hedged risk are recognised in the fair value reserve.

The changes in fair value of the protected items included in hedge accounting are recognised under item "Net result from hedge accounting" in the income statement.

LINKED DERIVATIVE

A linked derivative is part of a hybrid instrument that also contains a non-derivative main contract. Because of this, part of the cash flow of the hybrid instrument fluctuates in a manner similar to the cash flow 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 Supervisory 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 previous financial periods, S-Bank issued two subordinated debenture loans that can be categorised as the above-mentioned hybrid instruments due to options included in the contracts and because these options entitle the bank to repayment of debt before the maturity date. During previous financial periods, S-Bank also acquired a digital option linked to a bond as part of the hedging transaction relating to the investment deposit.

S-Bank does not separate linked derivatives from the main contracts in the case of the above-mentioned debenture loans. The financial characteristics and risks are considered to be closely linked to the main contracts as the option exercise prices correspond to the amortised cost of the debt contracts at all exercise periods. However, S-Bank separates the digital option from the main contract and handles it as a derivative in accounting.

PRINCIPLES OF INCOME RECOGNITION

Interest income and expenses

Interest on financial assets and liabilities is periodised as interest income and 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 recognised when the services have been rendered or received. 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 and connection charges. The capitalised expenses of software also include the costs arising from a 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

TANGIBLE ASSETS

Tangible assets are measured at original acquisition cost less accumulated depreciation and impairment losses, if any. Straight-line depreciation is recorded on tangible assets in accordance with each item's economic life. Land areas are not depreciated.

The depreciation periods for tangible assets / investment properties

Buildings: 25 years
Equipment in buildings: 10 years

Investment property

Investment properties are properties used by operations outside the Group and held by the Group for the primary reason of obtaining rental income and possibly an appreciation in the asset value. Investment properties are measured at original acquisition cost, less accumulated depreciation and any impairment losses, in accordance with the same principles that are applied to real estate belonging to tangible assets. Leases are recognised as income in the net income from investment property over the lease period.

INCOME TAXES

Income taxes include the current taxes based on taxable income for the financial period and corrections to taxes for previous periods. The tax effect of items directly recognised in equity is correspondingly directly recognised in equity. Taxes are calculated using the tax rates valid on the balance sheet date and, if there is a change in tax rates, at the enacted tax rate.

RISK MANAGEMENT

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

S-Bank has a risk management policy confirmed by the bank's Executive Board. It defines risk management purposes, principles, roles, responsibilities and the composition of the risk management organisation. In addition, the policy defines S-Bank's main types of risks and how to identify, estimate, measure, manage and monitor them, as well as how to report on them. 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 risk management principles and guidelines. 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 willingness 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 at S-Bank. Moreover, its duty is to provide the Executive Board with a proposal for the allocation of risk capital and limits on different types of risks to the Executive Board.

The adopted risk management policy specifies that line managers are responsible for attending to S-Bank's on-going 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 are clearly and appropriately defined. 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 is independent of business operations. Its task is to monitor and estimate the bank's risk taking level. The risk monitoring function maintains and develops risk measurement, assessment and reporting methods, as well as supports the business areas in the identification of new risks.

The internal audit assists the Executive Board and the Managing Director in supervising and ensuring the bank's operations by auditing the bank's functions.

Risk concepts

S-Bank's risks can be divided into strategic risks, market and credit risks, and operational risks.

"Strategic risk" can be divided into two categories: the company selects the wrong strategy for profitable operations, or the risk can materialise if the selected strategy cannot be adapted to changes in the operating environment due to the company's inflexibility. These may relate to market and competitive conditions, economic fluctuations, changes in customer behaviour and the development of technology, for example.

"Credit risk" is the risk that a counterparty fails to meet its liability to pay to S-Bank, or a change in the creditworthiness of a counterparty affects the market value of the financial instruments issued by the bank. At S-Bank, credit risks result from investment activities and lending to the public.

"Market risk" is caused by the exposure of the balance sheet structure and operating result to changes in the investment market. Market risks are reviewed from the viewpoint of income risk, price risk and liquidity risk.

"Price risk" refers to the sensitivity to market price in balance sheet items and the impact of fair value on operating result due to fluctuating market prices. The viewpoint in "income risk" depends more on accounting. Income risk simulates the impact of risk realisation on the bank's result when the instrument is held until the end and the result is recorded at amortised cost. "Liquidity risk" is the risk of S-Bank not being able to fulfil its payment obligations. Liquidity risk is divided into short-term liquidity risk and longer-term refinancing risk.

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

Strategic risks

"Strategic risks" and the associated risks related to business, reputation and external operating environment are managed through risk assessments carried out in connection with annual action plans. 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, strategic risks are managedby making annual scenario analyses based on business plans and profit and loss statements to assess the impact 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, their management measures and the results of scenario analyses. The Executive Board approves the measures for managing the risks.

Credit risks

At S-Bank, credit risks primarily arise from the credit card and consumer credit business, lending to S Group companies and investment activities.

Credit risk is managed within the framework of credit granting principles and limits defined in the credit policy and risk management policy. 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. The risk monitoring function reports on the credit risks to the Executive Board, the Credit and Risk Management Committee, as well as the management and authorities.

The customer-owners of S Group's cooperative enterprises are regarded as the chief target group for S-Bank's deposit banking operations. In the granting of credit for lending purposes, particular attention is paid to the prospective borrowers' repayment ability. Private customers' creditworthiness is assessed by dividing them into risk categories on the basis of different characteristics, using a scoring system. The assessment of corporate customers' creditworthiness is based, among other things, on financial statements and their Trade Register and Credit Register information. If necessary, a credit rating given by a credit rating company is used.

In investment business, counterparty risks are restricted with limits. Counterparty limits are defined by assessing the credit risk of possible counterparties, mainly on the basis of credit ratings given by credit rating companies. Investment activities have been cautious, and assets have been invested in liquid objects which are as safe as possible and have a good credit rating.

The bank's credit control function is responsible for daily credit monitoring as regards card and consumer credits. If customers fail to meet their obligations according to the agreed schedule, the credit control will initiate payment reminder and collection measures.

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

In the financial statements, S-Bank evaluates its impairments only by product, since a single liability is not significant by itself in the bank's current product range. The impaired receivables in the financial statements totalled EUR 8.7 million (7.9). All the impairment losses were group-specific. For the investment business, S-Bank cancelled a total of EUR 0.3 million in impairment losses recorded in the previous period from the receivables of Italian and Spanish counterparties. Impairment losses are presented under "Impairment losses from credit and other receivables" in the financial statements. For the investment business, they are presented under "Net income from financial assets available for sale".

Capital adequacy assessment

S-Bank uses a standard method in the capital adequacy requirement assessment. 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 the bank's own funds required to cover the credit risk.

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

The ratings of the above-mentioned credit rating institutions are used to determine the risk weightings for governments and central banks, international development banks, credit institutions, investment firms 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 to determine the risk weighting.

Calculating capital adequacy for counterparty risk is part of the standard method in credit risk assessment. The capital adequacy requirement due to counterparty risk is calculated for derivative instruments, transactions with a long settlement time and transactions connected with the asset-backed trading book.

The positive fair value of derivatives held by S-Bank on the balance sheet date was EUR 0.2 million (0.4). Credit risk mitigation techniques, such as guarantees and financing securities, can be used when the capital adequacy requirement is calculated for the credit risk with the standard method. 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. In addition, financing securities have been utilised in the calculation of the capital adequacy requirement for credit risk.

S-Bank's risk exposure in 2012

At the end of the financial period, the maximum amount of S-Bank's exposure was EUR 3,637.5 million (3,375.1), including off-balance sheet commitments. The most significant item was claims or contingent claims on institutions, totalling EUR 1,851.5 million (1,754.7). Claims in the form of covered bonds totalled EUR 303.7 million (259.0), and claims or contingent claims on central governments or central banks totalled EUR 196.1 million (252.0). Retail claims or contingent retail claims increased from the previous year due to an increase in lending, and totalled EUR 237.3 million (198.1). In addition, claims or contingent claims on corporates increased, standing at EUR 228.7 million (188.8). Claims in the form of collective investment undertakings totalled EUR 83.6 million (74.0). Furthermore, S-Bank had claims or contingent claims on regional governments, amounting to EUR 19.4 million (9.7), and on multilateral development banks, totalling EUR 5.4 million (5.2). Past due items constituted an item of EUR 10.3 million (9.7), while claims or contingent claims secured on real estate property constituted an item of EUR 2.6 million (3.1). Other items totalled EUR 40.0 million (36.5). Off-balance sheet items amounted to EUR 659.0 million (584.2).

When analysed by risk weighting, S-Bank's exposure fell predominantly into the 20 per cent risk weight category, where S-Bank mainly recorded claims or contingent claims on other credit institutions. In the category with a 100 per cent risk weighting, the bank primarily recorded claims or contingent claims on corporates and claims in the form of collective investment undertakings, whereas the zero per cent category consisted of claims or contingent claims on central banks, credit institutions' bonds guaranteed by governments, claims or contingent claims on multilateral development banks, and off-balance sheet items. Claims in the form of covered bonds constituted an item of 10 per cent and retail claims or contingent retail claims an item of 75 per cent. Claims or contingent claims secured on real estate property were mainly recorded in the 35 per cent item. Claims or contingent claims on credit institutions in the countries included in category 2 or claims or contingent claims on corporates with a rating of at least A were recorded in the 50 per cent item. Past due items were recorded in the 150 per cent item.

EXPOSURES (EUR MILLION)	TOTAL AMOUNT OF EXPOSURES		AVERAGE VALUE OF EXPOSURES IN THE FINANCIAL PERIOD	
	2012	**2011**	**2012**	**2011**
Claims or contingent claims on central governments or central banks	196.1	252.0	224.1	289.7
Claims or contingent claims on regional governments	19.4	9.7	14.5	12.9
Claims or contingent claims on multilateral development banks	5.4	5.2	5.3	5.2
Claims or contingent claims on institutions	1 851.5	1 754.7	1 803.1	1 690.7
Claims or contingent claims on corporates	228.7	188.8	208.8	167.4
Retail claims or contingent retail claims	237.3	198.1	217.7	202.0
Claims or contingent claims secured on real estate property	2.6	3.1	2.9	3.5
Past due items	10.3	9.7	10.0	9.0
Claims in the form of covered bonds	303.7	259.0	281.4	260.9
Claims in the form of collective investment undertakings	83.6	74.0	78.8	65.1
Other items	40.0	36.5	38.2	26.4
Off-balance sheet items	659.0	584.2	621.6	572.4
Total	**3 637.5**	**3 375.1**	**3 506.3**	**3 305.4**

RECEIVABLES BY RISK WEIGHTING (EUR MILLION)	Exposure value	
Risk weight	**2012**	**2011**
0%	782.7	810.7
10%	295.6	240.6
20%	1 842.1	1 725.3
35%	2.6	3.0
50%	22.8	80.9
75%	238.8	199.9
100%	442.5	305.1
150%	10.3	9.7
	3 637.5	**3 375.1**

MATURITY DISTRIBUTION OF RECEIVABLES (EUR MILLION) FOR 2012	Less than 3 mos.	3–12 mos.	1–5 yrs	5–10 yrs	More than 10 yrs	Total
Claims or contingent claims on central governments or central banks	164.2	6.1	25.8	0.0	0.0	196.1
Claims or contingent claims on regional governments	0.0	4.5	14.9	0.0	0.0	19.4
Claims or contingent claims on multilateral development banks	0.0	0.0	5.4	0.0	0.0	5.4
Claims or contingent claims on institutions	122.8	337.3	1 391.3	0.1	0.0	1 851.5
Claims or contingent claims on corporates	67.7	19.3	122.3	19.4	0.0	228.7
Retail claims or contingent retail claims	14.4	31.4	122.8	57.6	11.1	237.3
Claims or contingent claims secured on real estate property	0.0	0.0	1.0	0.8	0.8	2.6
Past due items	10.3	0.0	0.0	0.0	0.0	10.3
Claims in the form of covered bonds	0.0	26.3	277.4	0.0	0.0	303.7
Claims in the form of collective investment undertakings	0.0	0.0	83.6	0.0	0.0	83.6
Other items	12.3	13.9	0.0	0.0	13.7	40.0
Off-balance sheet items	602.6	20.1	36.4	0.0	0.0	659.0
TOTAL	**994.3**	**458.9**	**2 080.8**	**77.9**	**25.6**	**3 637.5**

MATURITY DISTRIBUTION OF RECEIVABLES (EUR MILLION) FOR 2011	Less than 3 mos.	3–12 mos.	1–5 yrs	5–10 yrs	More than 10 yrs	Total
Claims or contingent claims on central governments or central banks	201.8	2.0	48.2	0.0	0.0	252.0
Claims or contingent claims on regional governments	0.1	0.0	9.6	0.0	0.0	9.7
Claims or contingent claims on multilateral development banks	0.0	0.0	5.2	0.0	0.0	5.2
Claims or contingent claims on institutions	87.4	259.4	1 407.9	0.0	0.0	1 754.7
Claims or contingent claims on corporates	58.8	26.7	98.8	4.4	0.0	188.8
Retail claims or contingent retail claims	12.6	26.8	94.1	62.71	1.94	198.1
Claims or contingent claims secured on real estate property	0.0	0.0	1.3	1.1	0.7	3.1
Past due items	9.7	0.0	0.0	0.0	0.0	9.7
Claims in the form of covered bonds	0.0	9.8	249.2	0.0	0.0	259.0
Claims in the form of collective investment undertakings	0.0	0.0	74.0	0.0	0.0	74.0
Other items	12.1	10.0	0.0	0.0	14.3	36.5
Off-balance sheet items	548.0	0.0	36.3	0.0	0.0	584.2
TOTAL	**930.5**	**334.8**	**2 024.6**	**68.3**	**17.0**	**3 375.1**

PAST DUE ITEMS (EUR MILLION) FOR 2012	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	2.4	0.8	9.8	-8.7	**4.2**

PAST DUE ITEMS (EUR MILLION) FOR 2011	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	1.8	0.7	8.9	-7.9	**3.5**

Geographically, Finland was still the most significant country with regard to exposures. In addition to Finland, the exposures mainly concerned 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, S-Bank's customers are geographically scattered in Finland, which does prevent the concentration of risk exposures.

GEOGRAPHIC DISTRIBUTION OF EXPOSURES (EUR MILLION) FOR 2012	Finland	Nordic countries	Other EU member states	Other countries*
Claims or contingent claims on central governments or central banks	164.2	0.0	31.9	0.0
Claims or contingent claims on regional governments	0.0	0.0	19.4	0.0
Claims or contingent claims on administrative bodies and non-commercial undertakings	0.0	0.0	0.0	0.0
Claims or contingent claims on multilateral development banks	0.0	0.0	5.4	0.0
Claims or contingent claims on institutions	234.7	524.5	843.0	249.3
Claims or contingent claims on corporates	222.8	3.7	2.1	0.0
Retail claims or contingent retail claims	237.2	0.0	0.0	0.00
Claims or contingent claims secured on real estate property	2.6	0.0	0.0	0.0
Past due items	10.3	0.0	0.0	0.0
Claims in the form of covered bonds	61.0	97.3	142.2	3.2
Claims in the form of collective investment undertakings	72.2	0.0	11.3	0.0
Other items	14.5	8.8	14.2	2.4
Off-balance sheet items	659.0			
Total	**1 678.8**	**634.3**	**1 069.5**	**254.9**

Other countries include receivables from Switzerland, the United States and Australia.

GEOGRAPHIC DISTRIBUTION OF EXPOSURES (EUR MILLION) FOR 2011	Finland	Nordic countries	Other EU member states	Other countries*
Claims or contingent claims on central governments or central banks	201.8	0.0	50.2	0.0
Claims or contingent claims on regional governments	5.2	0.0	4.5	0.0
Claims or contingent claims on multilateral development banks	0.0	0.0	0.0	5.2
Claims or contingent claims on institutions	191.9	431.8	913.1	217.9
Claims or contingent claims on corporates	170.3	10.9	7.7	0.0
Retail claims or contingent retail claims	198.1	0.0	0.0	0.00
Claims or contingent claims secured on real estate property	3.1	0.0	0.0	0.0
Past due items	9.7	0.0	0.0	0.0
Claims in the form of covered bonds	46.5	68.1	144.5	0.0
Claims in the form of collective investment undertakings	65.1	0.0	8.9	0.0
Other items	20.7	4.8	8.7	2.3
Off-balance sheet items	584.2			
Total	**1 496.5**	**515.5**	**1 137.7**	**225.4**

Other countries include receivables from Switzerland, the United States and Australia.
In addition, other countries include claims or contingent claims on multilateral development banks.

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

BREAKDOWN OF EXPOSURES BY BRANCH OF BUSINESS (EUR MILLION)	2012	2011
Financial and insurance activities	2 484.6	2 354.3
Wholesale and retail trade	77.4	67.1
Real estate activities	53.6	43.6
Electricity, gas and water supply, cooling business	17.1	13.4
Manufacturing	35.8	32.5
Mining and quarrying	4.6	4.5
Construction	0.0	0.1
Information and communication	2.4	12.0
Public administration and defence; compulsory social security	36.5	44.4
Other	19.7	5.0
No branch category*	905.9	798.1
Total	**3 637.5**	**3 375.1**

* Exposures not falling into branch categories include retail claims or contingent retail claims, past due items, other items and off-balance sheet items

Market risks

In market risk management, S-Bank aims to manage unexpected changes in the bank's net interest income and capital adequacy, and maximise return on equity within the limits of risk-taking willingness. Market risk limits are specified on the basis of these factors.

In accordance with the confirmed risk management policy, interest rate risk in the banking book is monitored monthly by means of the interest rate gap analysis, in which liabilities and receivables are grouped into time periods on the basis of their interest rate tying. The effects of changes in parallel interest rate curves on the bank's interest rate risk exposure are monitored daily with the net present value method and monthly with the income risk method. 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.

Share, property and currency risks materialise directly as a result of a change in the market prices of investment instruments. Therefore S-Bank applies only price-risk based risk measurement techniques to these instrument categories. Limitations are based on simple allocation limits. Share, property and currency risks play a role in the spreading of market risks, and S-Bank is not strongly disposed towards these risk types.

FINANCIAL ASSETS AND LIABILITIES IN ACCORDANCE WITH INTEREST RATE TYING (EUR MILLION) FOR 2012

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 yrs.	2–5 yrs.	More than 5 yrs	Total
Cash	164.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	164.2
Receivables from credit institutions	46.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.2
Receivables from the public and public sector entities	243.4	90.3	17.2	4.9	0.0	0.0	4.2	0.0	360.0
Debt securities	353.3	573.6	122.7	39.7	15.5	352.7	905.2	19.4	2 382.1
Receivables total	**807.1**	**663.9**	**140.0**	**44.6**	**15.5**	**352.7**	**909.4**	**19.4**	**2 952.6**
Liabilities to credit institutions	-300.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-300.0
Liabilities to the public and public sector entities	-2 160.9	-143.8	-59.4	-66.9	-59.6	-8.1	-1.2	0.0	-2 500.0
Subordinated	-15.0	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0
Liabilities total	**-2 475.9**	**-148.8**	**-59.4**	**-66.9**	**-59.6**	**-8.1**	**-1.2**	**0.0**	**-2 820.0**
Receivables and liabilities total	**-1 668.8**	**515.1**	**80.5**	**-22.3**	**-44.1**	**344.5**	**908.1**	**19.4**	**132.6**

FINANCIAL ASSETS AND LIABILITIES IN ACCORDANCE WITH INTEREST RATE TYING (EUR MILLION) FOR 2011

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 yrs.	2–5 yrs.	More than 5 yrs	Total
Cash	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.8
Receivables from credit institutions	203.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	203.0
Receivables from the public and public sector entities	189.7	92.4	6.6	6.5	0.0	0.0	5.6	0.0	300.8
Debt securities	522.9	869.5	31.1	9.9	10.3	149.3	672.3	4.4	2 269.7
Receivables total	**922.4**	**961.9**	**37.7**	**16.4**	**10.3**	**149.3**	**677.9**	**4.4**	**2 780.3**
Liabilities to credit institutions	-200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-200.0
Liabilities to the public and public sector entities	-1 957.4	-125.3	-101.5	-135.6	-129.3	-52.4	-6.7	0.0	-2 508.1
Subordinated	-15.0	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0
Liabilities total	**-2 172.4**	**-130.3**	**-101.5**	**-135.6**	**-129.3**	**-52.4**	**-6.7**	**0.0**	**-2 728.1**
Receivables and liabilities total	**-1 250.0**	**831.6**	**-63.8**	**-119.2**	**-119.1**	**97.0**	**671.2**	**4.4**	**52.2**

S-Bank uses derivative instruments as part of its risk management. During the financial year 2012, the bank entered into interest rate swaps, futures and forwards contracts, and options as part of its balance sheet management. The counterparties were specifically selected banks. S-Bank applies hedge accounting to a minor extent.

NOMINAL VALUES OF DERIVATIVES IN ACCORDANCE WITH THE REMAINING MATURITY DISTRIBUTION (EUR MILLION) 31 DEC 2012	Less than 1 year	1–5 yrs	More than 5 yrs
Interest rate derivatives			
Futures and forwards	365.0		
Interest rate swaps	94.0	523.0	5.0
Option agreements, bought	25.0	20.0	
Option agreements, written		95.0	
Equity derivatives			
Option agreements, bought	5.4		
Option agreements, written	5.4		
Currency derivatives			
Futures and forwards	6.1		
Interest rate and currency swaps		0.8	

NOMINAL VALUES OF DERIVATIVES IN ACCORDANCE WITH THE REMAINING MATURITY DISTRIBUTION (EUR MILLION) 31 DEC 2011	Less than 1 year	1–5 yrs	More than 5 yrs
Interest rate derivatives			
Futures and forwards	7.5		
Interest rate swaps	135.0	396.0	
Equity derivatives			
Option agreements, bought	3.5	5.4	
Option agreements, written	3.5	5.4	

DERIVATIVE CONTRACTS 31 DEC 2012 FOR HEDGING PURPOSES (EUR MILLION)	Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Interest rate swaps	11.0		0.0

DERIVATIVE CONTRACTS 31 DEC 2012 NOT FOR HEDGING PURPOSES (EUR MILLION)	Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Futures and forwards	365		-1.3
Interest rate swaps	611.0		-15.7
Option agreements, bought	45.0	0.0	0.0
Option agreements, written	95.0	0.0	-0.5
Equity derivatives			
Option agreements, bought	5.4	0.0	
Option agreements, written	5.4		0.0
Equity derivatives			
Currency derivatives			
Futures and forwards	6.1	0.1	0.0
Interest rate and currency swaps	0.8	0.1	

DERIVATIVE CONTRACTS 31 DEC 2011 NOT FOR HEDGING PURPOSES (EUR MILLION)	Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Futures and forwards	7.5		0.0
Interest rate swaps	531.0	0.4	-7.7
Equity derivatives			
Option agreements, bought	8.9	0.0	
Option agreements, written	8.9		0.0

Liquidity risks

The objective of liquidity risk management is to ensure that the bank's net cash flow is positive enough in disturbance situations during the following 30 days without any realisation of investment assets.

The adequacy of cash assets is supported by investing a sufficient amount of assets in certificates of deposit and liquidity accounts immediately realisable for cash assets. In addition, the bank can use the Bank of Finland's limit on its ongoing operations to ensure both intraday liquidity and overnight liquidity, when necessary.

In the case of liquidity escape and to safeguard liquidity for a longer term (over 30 days), liquidity is primarily ensured by using liquid instruments eligible for refinancing with central banks in the investment business. They must be revotable to cash or realisable without substantial capital losses and transaction costs within three (3) days.

Liquidity and refinancing risks are monitored daily with cash flow forecasts and monthly with a gap analysis, in which assets and liabilities are grouped into time periods according to maturity.

MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES (EUR MILLION) FOR 2012

Balance sheet item	0–1 mos.	1–3 mos.	3–6 mos.	6–9 mos.	9–12 mos.	1–2 yrs.	2–5 yrs.	More than 5 yrs	Total
Cash	164.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	164.2
Receivables from credit institutions	46.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.2
Receivables from the public and public sector entities*	71.5	3.5	16.1	11.8	15.3	46.9	125.1	69.9	360.0
Debt securities	13.0	94.0	192.7	108.2	66.1	678.5	1 210.2	19.4	2 382.1
Receivables total	**294.9**	**97.5**	**208.8**	**120.0**	**81.4**	**725.4**	**1 335.3**	**89.3**	**2 952.6**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	-300.0	0.0	-300.0
Liabilities to the public and public sector entities**	-2 160.9	-143.8	-59.4	-66.9	-59.6	-8.1	-1.2	0.0	-2 500.0
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0	-20.0
Liabilities total	**-2 160.9**	**-143.8**	**-59.4**	**-66.9**	**-59.6**	**-8.1**	**-301.2**	**-20.0**	**-2 820.0**
Receivables and liabilities total	**164.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**164.2**

* Past due items and non-performing assets are reported under the shortest maturity
** Demand deposits are reported under the shortest maturity.

MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES (EUR MILLION) FOR 2011

Balance sheet item	0–1 mos.	1–3 mos.	3–6 mos.	6–9 mos.	9–12 mos.	1–2 yrs.	2–5 yrs.	More than 5 yrs	Total
Cash	**6.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**6.8**
Receivables from credit institutions	203.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	203.0
Receivables from the public and public sector entities*	70.2	6.6	7.1	16.5	12.1	37.3	85.1	66.0	300.8
Debt securities	20.0	67.3	54.7	119.3	104.6	949.7	942.7	11.4	2 269.7
Receivables total	**299.9**	**74.0**	**61.8**	**135.8**	**116.7**	**987.0**	**1 027.8**	**77.4**	**2 780.3**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	-200.0	0.0	-200.0
Liabilities to the public and public sector entities**	-1 957.4	-125.3	-101.5	-135.6	-129.3	-52.4	-6.7	0.0	-2 508.1
Subordinated liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0	-20.0
Liabilities total	**-1 957.4**	**-125.3**	**-101.5**	**-135.6**	**-129.3**	**-52.4**	**-206.7**	**-20.0**	**-2 728.1**
Receivables and liabilities total	**-1 657.4**	**-51.4**	**-39.6**	**0.2**	**-12.6**	**934.6**	**821.1**	**57.4**	**52.2**

* Past due items and non-performing assets are reported under the shortest maturity
** Demand deposits are reported under the shortest maturity.

OPERATIONAL RISKS

Operational risk management aims to show clear responsibilities and ownership of operational risk management, ensure relevant and cost-efficient controls, keep the loss caused by operational losses at an acceptable level and ensure the adequacy of equity to cover the loss caused by operational risks.

S-Bank has specified five key operational risk management elements for identifying, estimating, measuring, managing, tracking and monitoring operational risks arising from the bank's operations.

- toperational planning
- acceptance procedure for new products and services
- change process for processes and operations
- guiding and supporting agent operations
- deviation management process

S-Bank's risk control function co-ordinates the operational risk management process and operational risks as a whole and reports on risks to S-Bank's Executive Board 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 preceding financial years by means of a yield indicator.

Expenses arising from operational risks were minor during the financial year 2012.

Legal risks

In order to manage legal risks, S-Bank's Legal Affairs–Compliance unit takes part in the preparation of significant agreements and legal acts binding on the bank. Agreements are archived in electronic and physical forms. The standard terms and conditions of customer agreements have been delivered to the Financial Supervisory Authority prior to their implementation. The need to revise the valid terms and conditions is reviewed and the terms and conditions are updated on a regular basis. Before publishing, the bank's legal affairs staff reviews all brochures and advertising material issued by the bank. Changes in legislation are monitored by means of an electronic basic service purchased from an external supplier, while changes related to disbursements and payment systems are monitored by participating in the relevant joint activities arranged by the Federation of Finnish Financial Services. Besides court proceedings related to the collection of receivables from customers, the bank was not a party in any other court proceedings in 2012.

INVESTMENTS IN NON-LISTED COMPANIES

S-Bank does not hold shares in non-listed companies not included in the consolidated financial statements.

NOTES TO BALANCE SHEET ITEMS, CONSOLIDATED CORPORATION, EUR THOUSAND

1. Receivables from credit institutions	31.12.2012 Repayable on demand	 Other than repayable on demand	 Total
From Finnish credit institutions	375	34 148	34 523
From foreign credit institutions	201	11 490	11 691
Receivables from credit institutions, total	**576**	**45 638**	**46 214**

	31.12.2011 Repayable on demand	 Other than repayable on demand	 Total
From the central bank	0	195 000	195 000
From Finnish credit institutions	492	1 196	1 688
From foreign credit institutions	20	6 310	6 330
Receivables from credit institutions, total	**512**	**202 506**	**203 018**

2. Receivables from the public and public sector entities	31.12.2012	31.12.2011
Companies and housing associations	103 191	95 802
Financial and insurance institutions	579	2 028
Public sector entities	0	110
Households	241 372	202 765
Non-profit organisations serving households	0	101
Foreign countries	14 893	16
Total	**360 035**	**300 823**
The credit loss provisions allocated to the item “Receivables from the public and public sector entities” totalled EUR 2,210,000.		
Impairment losses at beginning of year	**7 912**	**7 089**
Group-specific impairment losses recorded in the period	8 664	7 912
Group-specific impairment losses reversed in the period	-7 912	-7 089
Impairment losses at year-end	**8 664**	**7 912**

3. Debt securities	31.12.2012	31.12.2011
	Other than publicly quoted	Other than publicly quoted
Those issued by public sector entities		
Available for sale		
Treasury bonds and notes	25 348	38 814
Other bonds and notes issued by public sector entities	0	5 087
Debt securities not issued by public sector entities		
Available for sale		
Banks' certificates of deposits	36 764	69 627
Commercial papers	8 998	1 980
Bonds and notes issued by banks	2 135 008	2 025 452
Other debt securities	176 020	128 745
Debt securities, total	**2 382 138**	**2 269 704**
– eligible for refinancing with central banks	1 943 855	1 840 269
– subordinated	0	6 935

4. Assets leased under finance leases

Nothing to report

5. Shares and participations		31.12.2012	
Shares and participations	**Publicly quoted**	**Other**	**Total**
Available for sale	83 565	23	83 588
Total	**83 565**	**23**	**83 588**
– of which in credit institutions	11 519		

		31.12.2011	
Shares and participations	**Publicly quoted**	**Other**	**Total**
Available for sale	74 031	0	74 031
Shares and participations in associated companies	0	1	1
Total	**74 031**	**1**	**74 031**
– of which in credit institutions	9 465		

6. Derivative contracts	31.12.2012 Nominal value	Positive fair value	Negative fair value
For hedging purposes			
Interest rate derivatives			
Interest rate swaps	11 000	0	-13

Of the nominal value of derivatives in hedge accounting, EUR 11,000 thousand mature in 1–5 years.

For non-hedging purposes	31.12.2012 Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Futures and forwards	365 000	0	-1 307
Option agreements, bought	45 000	49	-12
Option agreements, written	95 000	15	-533
Interest rate swaps	611 026	0	-15 731
Currency derivatives			
Futures and forwards	6 052	51	-9
Interest rate and currency swaps	773	60	0
Equity derivatives			
Option agreements, bought	5 353	5	0
Option agreements, written	5 353	0	-5

Of the nominal value of the derivatives not in hedge accounting, EUR 500,784 thousand mature in less than one year, EUR 627,773 thousand in 1–5 years, and EUR 5,000 thousand in more than five years.

For non-hedging purposes	31.12.2011 Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Futures and forwards	7 500	0	-26
Interest rate swaps	531 026	427	-7 701
Equity derivatives			
Option agreements, bought	8 893	7	0
Option agreements, written	8 893	0	-7

Of the nominal value of the derivatives not in hedge accounting, EUR 149,580 thousand mature in less than one year and EUR 406,732 thousand in 1–5 years.

7. Intangible assets	31.12.2012	31.12.2011
Capitalised IT expenditure	12 573	12 266
Other intangible assets	0	514
Total	**12 573**	**12 780**

8. Tangible assets	31.12.2012	31.12.2011
Investment properties, held for investment purposes		
Land and water areas	792	792
Buildings	12 874	13 554
Total	**13 665**	**14 346**

9. Changes in intangible and tangible assets during the financial year	31.12.2012	31.12.2011
Prepayments for intangible assets		
Acquisition cost; 1 Jan	7 703	3 757
Increase	1 606	4 227
Transfers between items	-6 362	-281
Acquisition cost; 31 Dec	2 947	7 703
Carrying amount; 31 Dec	2 947	7 703
Intangible assets		
Acquisition cost; 1 Jan	22 019	21 734
Increase	2 456	4
Transfers between items	6 362	281
Acquisition cost; 31 Dec	30 838	22 019
Accumulated depreciation, amortisation and impairment; 1 Jan	-16 942	-12 794
Depreciation for the period	-4 269	-4 148
Accumulated depreciation and amortisation; 31 Dec	-21 211	-16 942
Carrying amount; 31 Dec	9 626	5 077
Intangible assets, total; 31 Dec	**12 573**	**12 780**
Other tangible assets		
Acquisition cost; 1 Jan	15 301	11 236
Increase	0	4 065
Acquisition cost; 31 Dec	15 301	15 301
Accumulated depreciation, amortisation and impairment; 1 Jan	-955	-315
Depreciation for the period	-680	-640
Accumulated depreciation and amortisation; 31 Dec	-1 635	-955
Carrying amount; 31 Dec	13 665	14 346
Tangible assets, total; 31 Dec	**13 665**	**14 346**

10. Other assets	31.12.2012	31.12.2011
Other	2 218	3 963
Total	**2 218**	**3 963**

11. Accrued income and prepayments	31.12.2012	31.12.2011
Interest income	31 253	20 860
Other accrued income	1 899	5 517
Total	**33 152**	**26 377**

12. Deferred tax assets and liabilities	31.12.2012	31.12.2011
Deferred tax assets / liabilities arising from the fair value reserve	-11 512	5 304
Deferred tax liability from appropriations	1 309	1 161
Deferred tax liability from consolidation measures	651	679

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

Nothing to report

14. Other liabilities	31.12.2012	31.12.2011
Payables arising from payment transactions	13 467	9 282
Other	6 605	4 047
Other liabilities, total	**20 072**	**13 328**

15. Accruals, deferred income and advances received	31.12.2012	31.12.2011
Interest expenses	13 475	10 792
Other accrued expenses	5 525	4 590
Total	**19 000**	**15 381**

	31.12.2012			
16. Subordinated liabilities	**Carrying amount***	**Nominal value**	**Interest**	**Maturity date**
Loan on debenture terms I/2008	15 023	15 000	Euribor 3 month + 0.5%	15.1.2018
Loan on debenture terms II/2008	5 002	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 Supervisory Authority. The repurchase requires that the loans can be resold to a new investor within a short period. The noteholder does not have the right to require that the loan be 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.

17. Distribution of maturity of financial assets and liabilities	31.12.2012					
	0–3 mos.	3–12 mos.	1–5 yrs	5–10 yrs	More than 10 yrs	Total
Cash	164 232	0	0	0	0	164 232
Debt securities eligible for refinancing with central banks	93 686	264 246	1 585 923	0	0	1 943 855
Receivables from credit institutions	46 214	0	0	0	0	46 214
Receivables from the public and public sector entities	71 652	43 923	174 142	58 412	11 906	360 035
Debt securities	13 314	102 736	302 799	19 434	0	438 283
Financial assets, total	**389 098**	**410 904**	**2 062 864**	**77 846**	**11 906**	**2 952 619**
Liabilities to credit institutions	0	0	300 000	0	0	300 000
Liabilities to the public and public sector entities	2 304 707	185 928	9 387	0	0	2 500 022
Subordinated liabilities	0	0	0	20 000	0	20 000
Financial liabilities, total	**2 304 707**	**185 928**	**309 387**	**20 000**	**0**	**2 820 022**

	31.12.2011					
	0–3 mos.	3–12 mos.	1–5 yrs	5–10 yrs	More than 10 yrs	Total
Cash	6 785	0	0	0	0	6 785
Debt securities eligible for refinancing with central banks	25 422	223 902	1 590 945	0	0	1 840 269
Receivables from credit institutions	203 018	0	0	0	0	203 018
Receivables from the public and public sector entities	74 019	36 242	124 111	63 845	2 606	300 823
Debt securities	61 906	54 734	301 418	11 378	0	429 435
Financial assets, total	**371 150**	**314 877**	**2 016 473**	**75 223**	**2 606**	**2 780 329**
Liabilities to credit institutions	0	0	200 000	0	0	200 000
Liabilities to the public and public sector entities	2 082 698	366 382	59 043	0	0	2 508 123
Subordinated liabilities	0	0	0	20 000	0	20 000
Financial liabilities, total	**2 082 698**	**366 382**	**259 043**	**20 000**	**0**	**2 728 123**

18. Breakdown of balance sheet items into domestic and foreign amounts and where counterparty is a group entity	31.12.2012			
	Domestic currency	**Foreign currency**	**Total**	**From group entities**
Balance sheet item				
Cash	164 232	0	164 232	0
Receivables from credit institutions	46 190	25	46 214	1 111
Receivables from the public and public sector entities	360 035	0	360 035	9 334
Debt securities	2 375 472	6 666	2 382 138	0
Derivative contracts	69	110	179	0
Shares and participations	83 588	0	83 588	3 885
Intangible assets	12 573	0	12 573	0
Tangible assets	13 665	0	13 665	3 308
Other assets	35 370	0	35 370	130
Total	**3 091 194**	**6 801**	**3 097 995**	**17 769**
Liabilities to credit institutions	300 000	0	300 000	0
Liabilities to the public and public sector entities	2 500 022	0	2 500 022	10 445
Derivative contracts	17 610	-9	17 601	0
Other liabilities	72 545	0	72 545	130
Total	**2 890 177**	**-9**	**2 890 168**	**10 575**

	31.12.2011			
	Domestic currency	Foreign currency	Total	From group entities
Balance sheet item				
Cash	6 785	0	6 785	0
Receivables from credit institutions	203 018	0	203 018	534
Receivables from the public and public sector entities	300 823	0	300 823	9 870
Debt securities	2 269 704	0	2 269 704	0
Derivative contracts	511	0	511	0
Shares and participations	74 031	0	74 031	3 885
Intangible assets	12 780	0	12 780	0
Tangible assets	14 346	0	14 346	3 452
Other assets	35 645	0	35 645	414
Total	**2 917 641**	**0**	**2 917 641**	**18 155**
Liabilities to credit institutions	200 000	0	200 000	0
Liabilities to the public and public sector entities	2 508 123	0	2 508 123	10 405
Derivative contracts	7 811	0	7 811	0
Other liabilities	50 550	0	50 550	414
Total	**2 766 485**	**0**	**2 766 485**	**10 818**

19. Securities lending

Nothing to report

20. Securities repurchase agreements

Nothing to report

21. 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 generally accepted valuation methods 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 on the balance sheet date.

Such changes in fair value for the 2012 and 2011 financial periods have not been entered in the income statement, excluding interest rate derivatives.

22. Financial assets measured at cost instead of fair value

Nothing to report

	31.12.2012		31.12.2011	
23. Fair values and carrying amounts of financial assets and liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash	164 232	164 232	6 785	6 785
Receivables from credit institutions	46 214	46 219	203 018	203 015
Receivables from the public and public sector entities	360 035	362 888	300 823	302 393
Debt securities	2 382 138	2 411 706	2 269 704	2 288 812
Shares and participations	83 588	83 508	74 031	73 951
Shares and participations in associated companies	0	5	1	6
Derivative contracts	179	180	511	522
Financial liabilities				
Liabilities to credit institutions	300 000	302 718	200 000	200 013
Liabilities to the public and public sector entities	2 500 022	2 507 551	2 508 123	2 519 893
Derivatives and other liabilities held for trading	17 610	21 459	7 811	10 593
Subordinated liabilities	20 000	19 836	20 000	19 902

24. Equity items	31.12.2012	31.12.2011
Share capital; 1 Jan	33 540	33 540
Share capital; 31 Dec	**33 540**	**33 540**
Share premium reserve; 1 Jan	21 180	21 180
Share premium reserve; 31 Dec	**21 180**	**21 180**
Fair value reserve; 1 Jan	-16 346	4 794
Increase (+)/decrease (-)	51 823	-21 140
Fair value reserve; 31 Dec	**35 477**	**-16 346**
Invested non-restricted equity reserve; 1 Jan	104 448	104 448
Invested non-restricted equity reserve; 31 Dec	**104 448**	**104 448**
Profit from previous periods; 1 Jan	8 334	1 381
Profit from previous periods; 31 Dec	8 334	1 381
Profit/loss for the financial period	4 838	6 953
Total	**207 817**	**151 157**
Accrued depreciation difference included in equity	2 706	2 465

NOTES TO INCOME STATEMENT ITEMS, EUR THOUSAND

25. Interest income and expenses	31.12.2012	31.12.2011
Interest income		
Receivables from credit institutions	431	1 300
Receivables from the public and public sector entities	21 743	23 835
Debt securities	54 107	49 145
Derivative contracts	2 506	1 804
Other interest income	0	39
Total	**78 786**	**76 123**
of which intra-group items	226	204
Interest expenses		
Liabilities to credit institutions	2 524	248
Liabilities to the public and public sector entities	19 507	20 721
Derivative contracts	7 465	3 221
Other interest expenses	10	4
Subordinated liabilities	265	387
Total	**29 770**	**24 581**
of which intra-group items	226	204

26. Net income from leasing activities

Nothing to report

27. Income from equity investments

Nothing to report

28. Fee and commission income and expenses	31.12.2012	31.12.2011
Fee and commission income		
from lending	6 417	5 111
from borrowing	2 782	2 226
from payment transactions	4 122	3 412
from insurance brokerage	127	162
from other activities	84	70
	13 531	**10 981**
Fee and commission expenses		
Other	3 075	2 047

	31.12.2012		
29. Net income from securities trading and currency operations	**Gains and losses on sales (net**	**Changes in fair value (net)**	**Total**
from debt securities	0	33	33
from derivative contracts	-3 298	-10 105	-13 404
Net income from securities trading, total	**-3 298**	**-10 072**	**-13 371**
Net income from currency operations	25	-9	16
Balance sheet item, total	**-3 273**	**-10 081**	**-13 355**

	31.12.2011		
	Gains and losses on sales (net	**Changes in fair value (net)**	**Total**
from derivative contracts	-112	-7 235	-7 347
Net income from securities trading, total	**-112**	**-7 235**	**-7 347**
Balance sheet item, total	**-112**	**-7 235**	**-7 347**

30. Net income from available-for-sale financial assets	31.12.2012	31.12.2011
Net income from disposal of financial assets	16 164	3 450
Losses from impairment of financial assets	0	-1 920
Cancellation of losses from impairment of financial assets	325	0
Other income/expenses from available-for-sale financial assets	194	136

31. Net income from hedge accounting	31.12.2012	31.12.2011
Net income from hedging instruments	-13	0
Net income from hedging subjects	7	0

32. Net income from investment property	31.12.2012	31.12.2011
Rental income	1 193	864
Depreciation according to plan	-680	-510
	513	**354**

33. Other operating income	31.12.2012	31.12.2011
Other income	5 092	3 557

34. Other operating expenses	31.12.2012	31.12.2011
Rental expenses	1 578	1 474
Other expenses	2 203	1 806
Total	**3 781**	**3 280**

35. Depreciation, amortisation and impairment losses on tangible and intangible assets	31.12.2012	31.12.2011
Depreciation according to plan	4 269	4 148

There are no impairment losses on tangible and intangible assets

	31.12.2012			
36. Impairment losses on loans, other commitments and other financial assets	**Realised contract-specific credit losses, gross**	**Group-specific impairment losses, gross**	**Deductions**	**Total**
Receivables from the public and public sector entities	1 672	8 664	9 368	968

	31.12.2011			
	Realised contract-specific credit losses, gross	**Group-specific impairment losses, gross**	**Deductions**	**Total**
Receivables from the public and public sector entities	2 695	7 912	9 895	713

37. Income and expenses from other than ordinary activities

Nothing to report

38. Information on business areas and geographical market areas

Nothing to report

NOTES ON COLLATERAL AND CONTINGENT LIABILITIES, EUR THOUSAND

	Other collateral	
39. Collateral provided	**31.12.2012**	**31.12.2011**
Loan receivables from credit institutions*	20 600	7 460

* S-Bank has provided collateral on the basis of agreements relating to derivative trading (ISDA/CSA)

40. Pension liabilities

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

41. Leasing and other rental liabilities	31.12.2012	31.12.2011
Due in one year	226	189
Due in more than one year and less than five years	210	259
Due in more than five years	0	0
Total	**436**	**448**

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

42. Other financial liabilities

The Group is obligated to audit the valued added tax depreciation it has performed on real estate investments if the taxable use of the property decreases during the period being audited. The maximum amount of the liability is EUR 1.6 million.

43. Off-balance sheet commitments	31.12.2012	31.12.2011
Undrawn credit facilities	659 036	584 241

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

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

Nothing to report

45. Broking receivables and payables

Nothing to report

46. Other off-balance sheet arrangements

Nothing to report

NOTES ON STAFF AND MANAGEMENT

47. Personnel	2012 Average number	2012 Number on 31 Dec 2012	2011 Average number	2011 Number on 31 Dec 2011
Permanent full-time staff	196	203	159	173
Permanent part-time staff	61	64	46	55
Fixed-term staff	16	19	14	11
Total	**272**	**286**	**218**	**239**

Salaries and fees paid to management (EUR thousand)	**2012**	**2011**
Managing Director and his deputy	355	352
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. There is no personnel in the real estate companies belonging to the same Group.

RELATED PARTY TRANSACTIONS, EUR THOUSAND

48. Loans and other financial receivables from related parties of the credit institution, and investments made in such entities and guarantees and collateral provided by third parties on behalf of such entities for repayment of loans	31.12.2012 Receivables from the public and public sector entities	31.12.2011 Receivables from the public and public sector entities
Basis for classification as a related party		
Ownership	4 695	9 975
Management	44	25
Management of holding company	45	29
Total	**4 784**	**10 028**

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.

SUBSIDIARIES AND ASSOCIATED COMPANIES

49. Subsidiaries	Registered office	Ownership
S-Asiakaspalvelu Oy	Helsinki	100%
Kiinteistö Oy Lempäälän terminaali	Helsinki	100%
Kiinteistö Oy Limingan terminaali	Helsinki	100%

Subsidiaries have been consolidated using the acquisition cost method

Associated companies	Registered office	Ownership
S-Crosskey Ab	Maarianhamina	40%

Associated companies have been consolidated using the equity method.

OTHER NOTES

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

Nothing to report

NOTE ONAUDIT FEES, EUR THOUSAND

51. Information on the auditors' fees	31.12.2012	31.12.2011
Auditing	98	105
Other services	28	91

BANK, BALANCE SHEET

ASSETS, EUR THOUSAND	Note	31.12.2012	31.12.2011
Cash	18, 19, 24	164 062	6 670
Debt securities eligible for refinancing with central banks			
Other	3,18, 19, 24	1 943 855	1 840 269
Receivables from credit institutions	1,18, 19, 24	46 214	203 018
Repayable on demand		576	512
Other		45 638	202 506
Receivables from the public and public sector entities	2,18, 19, 24	369 369	310 693
Repayable on demand		10 592	9 716
Other		358 777	300 976
Debt securities	3,18, 19, 24		
Other		438 283	429 435
Shares and participations	5, 19, 24	83 588	74 031
Shares and participations in associated companies	5, 24	3	3
Shares and participations in companies belonging to the same Group	5, 24	3 882	3 882
Derivative contracts	6, 19, 24	179	511
Intangible assets	7,10, 19	12 506	12 687
Other assets	11	1 994	3 748
Accrued income and prepayments	12	33 116	26 324
ASSETS, TOTAL		**3 097 052**	**2 911 271**

LIABILITIES, EUR THOUSAND	Note	31.12.2012	31.12.2011
LIABILITIES			
Liabilities to credit institutions			
To central banks	18, 19, 24	300 000	200 000
Liabilities to the public and public sector entities	18, 19, 24	2 501 133	2 508 658
Deposits		2 473 028	2 473 145
Repayable on demand		1 963 949	1 804 170
Other		509 079	668 975
Other liabilities		28 105	35 513
Repayable on demand		27 219	31 628
Other		886	3 885
Derivatives and other liabilities held for trading	6, 19, 24	17 610	7 811
Other liabilities	15, 19		
Other liabilities		19 970	13 485
Accruals, deferred income and advances received	16	18 344	14 834
Subordinated liabilities			
Other	17, 18, 24	20 000	20 000
LIABILITIES TOTAL		2 877 056	2 764 788
ACCUMULATED APPROPRIATIONS			
Depreciation difference		1 435	3 248
Voluntary provisions		2 210	0
ACCUMULATED APPROPRIATIONS TOTAL		3 645	3 248
EQUITY			
Share capital	25, 26	33 540	33 540
Share premium reserve	25	21 180	21 180
Other restricted reserves			
Fair value reserve	25		
On measurement at fair value		46 989	-21 650
Non-restricted reserves			
Invested non-restricted equity reserve	25	104 448	104 448
Profit (loss) from previous financial periods	25	5 716	-1 084
Profit (loss) for the financial period	25	4 477	6 800
EQUITY, TOTAL	25	216 351	143 235
LIABILITIES, TOTAL		**3 097 052**	**2 911 271**
OFF-BALANCE SHEET COMMITMENTS			
Commitments given on behalf of a customer	46		
Irrevocable		65 655	36 259
Other		594 381	547 982

BANK, INCOME STATEMENT

EUR THOUSAND	Note	31.12.2012	31.12.2011
Interest income	29	79 012	76 325
Interest expenses	29	-29 770	-24 581
NET INTEREST INCOME		**49 242**	**51 744**
Fee and commission income	32	13 531	10 981
Fee and commission expenses	32	-3 075	-2 047
Net income from securities trading and currency operations			
Net income from securities trading	33	-13 371	-7 347
Net income from currency operations	33	16	0
Net income from available-for-sale financial assets	34	16 684	1 665
Net income from hedge accounting	35	-6	0
Net income from investment property	36	204	-65
Other operating income	37	3 310	1 994
Administrative expenses		-51 688	-41 540
Personnel expenses			
Salaries, wages and remuneration		-8 551	-7 324
Indirect personnel expenses			
Pension expenses		-1 537	-1 275
Other indirect personnel expenses		-396	-423
Other administrative expenses		-41 203	-32 519
Depreciation, amortisation and impairment of tangible and intangible assets	39	-4 244	-4 122
Other operating expenses	38	-3 307	-2 870
Impairment losses on loans and other receivables	40	-968	-713
OPERATING PROFIT (LOSS)		**6 329**	**7 680**
Appropriations		**-397**	**1**
Income taxes		**-1 455**	**-880**
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**4 477**	**6 800**

BANK, CASH FLOW STATEMENT

EUR THOUSAND	1.1.–31.12.2012	1.1.–31.12.2011
CASH FLOW FROM OPERATIONS		
Interest, fee and commission income	88 412	86 450
Interest, fee and commission expenses	-30 162	-20 305
Payments received on loans recorded as credit losses	456	305
Other income	14 680	-3 105
Payments to suppliers of goods and services, and personnel	-52 276	-44 613
	21 111	**18 732**
Increase (-) or decrease (+) in operating assets:		
Current assets	5 638	-4 821
Net increase in credit card and overdraft receivables	-59 972	-12 397
Increase (+) or decrease (-) in operating liabilities:		
Deposits from customers	-117	21 123
Current liabilities	98 138	207 866
Net cash provided by (used in) operating activities before income taxes	64 798	230 502
Income taxes	-2 595	0
Net cash from operations	**62 203**	**230 502**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of subsidiaries	0	-3 832
Other shares and participations	-23	0
Purchase of intangible assets	-4 063	-4 231
Net cash provided by (used in) investment activities	**-4 086**	**-8 063**
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in equity	0	0
Net cash provided by (used in) financing activities	**0**	**0**
Net increase in cash and cash equivalents	58 117	222 439
Cash and cash equivalents at the beginning of the financial period	2 575 756	2 353 316
Cash and cash equivalents at the end of the financial period	2 633 872	2 575 756

S-BANK LTD'S ACCOUNTING POLICIES

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 Supervisory Authority's regulations concerning the income statement, balance sheet and notes to the financial statements, effective as of 1 December 2005 and updated on 18 November 2008. In preparing the financial statements, the general instructions issued by the Finnish Accounting Standards Board (KILA) have also been considered, as applicable.

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

ITEMS DENOMINATED IN FOREIGN CURRENCY

The financial statements are presented in euros. The items denominated in foreign currency were recognised at the rate on the date of the transaction. On the balance sheet date, the items denominated in foreign currency are converted into euros at the exchange rate of the balance sheet date.

Exchange rate differences are recognised as exchange rate profit/loss in the income statement, as regards financial items, they are recognised in net income from securities trading and currency operations, and as regards trade payables, in other administration costs.

FINANCIAL ASSETS AND LIABILITIES

S-Bank Ltd applies a settlement-date practice when recognising financial assets and liabilities in the balance sheet. An item belonging to financial assets or liabilities is initially recognised 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 values of certificates of deposit, commercial papers or derivative contracts (excluding futures contracts) are determined by discounting future cash flows to the present value, applying market interest rates on the balance sheet date. Bonds, notes and futures contracts are measured at market prices. Financial assets at fair value are measured using the bid price, while financial liabilities at fair value are measured using the asked rate.

Financial assets or liabilities at fair value through profit and loss include bonds and notes and other domestic and foreign securities and participations that are actively traded and have been acquired for short-term gain. Derivative contracts to which hedge accounting has not been applied are also included. On the balance sheet date, S-Bank entered only derivative contracts in this item.

Financial assets or liabilities at fair value through profit and loss are measured at fair value. The change in fair value is entered in the income statement. The difference between the balance sheet date value of the financial instruments recognised at fair value and the carrying value from the previous financial statements is recognised as the income or expense for the period in the income statement. If 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 or are held to maturity. Held-to-maturity investments are measured at amortised acquisition cost using the effective interest method. On the balance sheet date, S-Bank had no financial assets that would have been recognised as financial assets held to maturity.

Financial assets which are not quoted on the secondary market, for which the payments are fixed or floating and which do not fall under financial assets at fair value through profit or loss, financial assets held to maturity or available-for-sale financial assets are recognised as loans and other receivables. 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 acquisition cost 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 value. Investments that are not publicly quoted are measured by means of generally approved valuation methods in the market. Should this not yield a reliably definable fair value, 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.

An item belonging to other financial liabilities is recognised in the financial statements at its nominal value when its fair value is the nominal value. If the debt capital received differs from the nominal value of the liability, the liability is entered in the amount received. The amount of the difference between the debt's nominal value and the cost, which is 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 debt-related fee, or an expense that is part of a debt-related interest expense, 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 on the balance sheet date using the effective interest method.

Impairment of financial assets

On 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, for example, a customer's delay in payment, insolvency or bankruptcy, reorganisation or rearrangement of debts, or a major change in the credit rating. Should there be objective evidence of impairment, an impairment loss is recorded.

The amount of an impairment loss on financial assets recorded at amortised cost is determined as the difference between the carrying amount of an asset and the present value of estimated future cash flows from the asset, including the fair value of any collateral. 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 is attributable 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 on a group-specific basis, but on the basis of the above-mentioned criteria for evaluation of impairment.

When there is objective evidence of the impairment of bonds, notes, or shares included in available-for-sale financial assets, the cumulative loss that had been directly recognised in equity is 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 on the reporting date. Should the fair value of notes or bonds classified as available-for-sale subsequently increase and should the increase objectively relate 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.

Hedge accounting

Derivative contracts are primarily used for hedging purposes, but S-Bank has not previously applied hedge accounting. At the end of the period under review, S-Bank started to apply small-scale hedge accounting of fair value to agreements that meet such documented efficiency and other prerequisites that relate to hedge accounting. In these cases, the open interest rate risk is protected with interest rate swaps that have further been determined to be protective items in hedge accounting.

The changes in fair value resulting from hedged risk of protected items are recognised under item "Net result from hedge accounting" in the income statement. The changes in fair value other than those resulting from hedged risk are recognised in the fair value reserve.

The changes in fair value of the protected items included in hedge accounting are recognised under item "Net result from hedge accounting" in the income statement.

Linked derivative

A linked derivative is part of a hybrid instrument that also contains a non-derivative main contract. Because of this, part of the cash flow of the hybrid instrument fluctuates in a manner similar to the cash flow 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 Supervisory 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 previous financial periods, S-Bank issued subordinated debenture loans that can be categorised as the above-mentioned hybrid instruments due to options included in the contracts and because these options entitle the bank to repayment of debt before the maturity date. During previous financial periods, S-Bank also acquired a digital option linked to a bond as part of the hedging transaction relating to the investment deposit.

S-Bank does not separate linked derivatives from the main contracts in the case of the above-mentioned debenture loans. The financial characteristics and risks are considered to be closely linked to the main contracts as the option exercise prices correspond to the amortised cost of the debt contracts at all exercise periods. However, S-Bank separates the digital option from the main contract and handles it as a derivative in accounting.

PRINCIPLES OF INCOME RECOGNITION

Interest income and expenses

Interest on financial assets and liabilities is periodised as interest income and 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 recognised when the services have been rendered or received. 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 and connection charges. The capitalised expenses of software also include the costs arising from a 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

TANGIBLE ASSETS

Tangible assets are measured at original acquisition cost less accumulated depreciation and impairment losses, if any. Straight-line depreciation is recorded on tangible assets in accordance with each item's economic life. Land areas are not depreciated.

The depreciation periods for tangible assets / investment properties

Buildings: 25 years
Equipment in buildings: 10 years

INVESTMENT PROPERTY

Investment properties are properties used by operations outside the Group and held by the Group for the primary reason of obtaining rental income and possibly an appreciation in the asset value. Investment properties are measured at original acquisition cost, less accumulated depreciation and any impairment losses, in accordance with the same principles that are applied to real estate belonging to tangible assets. Leases are recognised as income in the net income from investment property over the lease period.

INCOME TAXES

Income taxes include the current taxes based on taxable income for the financial period and corrections to taxes for previous periods. The tax effect of items directly recognised in equity is correspondingly directly recognised in equity. Taxes are calculated using the tax rates valid on the balance sheet date and, if there is a change in tax rates, at the 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.

NOTES TO BALANCE SHEET ITEMS, BANK, EUR THOUSAND

1. Receivables from credit institutions	31.12.2012 Repayable on demand	31.12.2012 Other than repayable on demand	31.12.2012 Total
From Finnish credit institutions	375	34 148	34 523
From foreign credit institutions	201	11 490	11 691
Receivables from credit institutions, total	**576**	**45 638**	**46 214**

	31.12.2011 Repayable on demand	31.12.2011 Other than repayable on demand	31.12.2011 Total
From the central bank	0	195 000	195 000
From Finnish credit institutions	492	1 196	1 688
From foreign credit institutions	20	6 310	6 330
Receivables from credit institutions, total	**512**	**202 506**	**203 018**

2. Receivables from the public and public sector entities	31.12.2012	31.12.2011
Companies and housing associations	112 525	105 672
Financial and insurance institutions	579	2 028
Public sector entities	0	110
Households	241 372	202 765
Non-profit organisations serving households	0	101
Foreign countries	14 893	16
Total	**369 369**	**310 693**
The credit loss provisions allocated to item Receivables from the public and public sector entities totalled EUR 2,210 thousand.		
Impairment losses at beginning of year	**7 912**	**7 089**
Group-specific impairment losses recorded in the period	8 664	7 912
Group-specific impairment losses reversed in the period	-7 912	-7 089
Impairment losses at year-end	**8 664**	**7 912**

3. Debt securities	31.12.2012	31.12.2011
Those issued by public sector entities	**Other than publicly quoted**	**Other than publicly quoted**
Available for sale		
Treasury bonds and notes	25 348	38 814
Other bonds and notes issued by public sector entities	0	5 087
Debt securities not issued by public sector entities		
Available for sale		
Banks' certificates of deposits	36 764	69 627
Commercial papers	8 998	1 980
Bonds and notes issued by banks	2 135 008	2 025 452
Other debt securities	176 020	128 745
Debt securities, total	**2 382 138**	**2 269 704**
– eligible for refinancing with central banks	1 943 855	1 840 269
– subordinated	0	6 935

4. Assets leased under finance leases

Nothing to report

5. Shares and participations		31.12.2012	
	Publicly quoted	**Other**	**Total**
Shares and participations			
Available for sale	83 565	23	83 588
Shares and participations in companies belonging to the same Group	0	3 882	3 882
Shares and participations in associated companies	0	3	3
Total	**83 565**	**3 909**	**87 473**
– of which in credit institutions	11 519		

		31.12.2011	
	Publicly quoted	**Other**	**Total**
Shares and participations			
Available for sale	74 031	0	74 031
Shares and participations in companies belonging to the same Group	0	3 882	3 882
Shares and participations in associated companies	0	3	3
Total	**74 031**	**3 885**	**77 916**
– of which in credit institutions	9 465		

6. Derivative contracts	Nominal value	Positive fair value	Negative fair value
	31.12.2012		
For hedging purposes			
Interest rate derivatives			
Interest rate swaps	11 000	0	-13

Of the nominal value of derivatives in hedge accounting, EUR 11,000 thousand mature in 1–5 years.

For non-hedging purposes	Nominal value	Positive fair value	Negative fair value
	31.12.2012		
Interest rate derivatives			
Futures and forwards	365 000	0	-1 307
Option agreements, bought	45 000	49	-12
Option agreements, written	95 000	15	-533
Interest rate swaps	611 026	0	-15 731
Currency derivatives			
Futures and forwards	6 052	51	-9
Interest rate and currency swaps	773	60	0
Equity derivatives			
Option agreements, bought	5 353	5	0
Option agreements, written	5 353	0	-5

Of the nominal value of the derivatives not in hedge accounting, EUR 500,784 thousand mature in less than one year, EUR 627,773 thousand in 1–5 years, and EUR 5,000 thousand in more than five years.

For non-hedging purposes	Nominal value	Positive fair value	Negative fair value
	31.12.2011		
Interest rate derivatives			
Futures and forwards	7 500	0	-26
Interest rate swaps	531 026	427	-7 701
Equity derivatives			
Option agreements, bought	8 893	7	0
Option agreements, written	8 893	0	-7

Of the nominal value of the derivatives not in hedge accounting, EUR 149,580 thousand mature in less than one year and EUR 406,732 thousand in 1–5 years.

7. Intangible assets	31.12.2012	31.12.2011
Capitalised IT expenditure	12 506	12 174
Other intangible assets	0	514
Total	**12 506**	**12 687**

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	31.12.2012	31.12.2011
Prepayments for intangible assets		
Acquisition cost; 1 Jan	7 703	3 757
Increase	1 606	4 227
Transfers between items	-6 362	-281
Acquisition cost; 31 Dec	2 947	7 703
Carrying amount; 31 Dec	2 947	7 703
Intangible assets		
Acquisition cost; 1 Jan	21 893	21 608
Increase	2 456	4
Transfers between items	6 362	281
Acquisition cost; 31 Dec	30 712	21 893
Accumulated depreciation, amortisation and impairment; 1 Jan	-16 909	-12 786
Depreciation for the period	-4 244	-4 122
Accumulated depreciation and amortisation; 31 Dec	-21 153	-16 909
Carrying amount; 31 Dec	9 559	4 985
Intangible assets, total; 31 Dec	**12 506**	**12 687**

11. Other assets	31.12.2012	31.12.2011
Other	1 994	3 748
Total	**1 994**	**3 748**

12. Accrued income and prepayments	31.12.2012	31.12.2011
Interest income	31 253	20 860
Other accrued income	1 863	5 464
Total	**33 116**	**26 324**

13. Deferred tax assets and liabilities	31.12.2012	31.12.2011
Deferred tax assets / liabilities arising from the fair value reserve	-11 512	5 304
Deferred tax liability from appropriations	893	796

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

Nothing to report

15. Other liabilities	31.12.2012	31.12.2011
Payables arising from payment transactions	13 467	9 282
Other	6 502	4 204
Other liabilities, total	**19 970**	**13 485**

16. Accruals, deferred income and advances received	31.12.2012	31.12.2011
Interest expenses	13 475	10 792
Other accrued expenses	4 869	4 042
Total	**18 344**	**14 834**

	31.12.2012			
17. Subordinated liabilities	**Carrying amount***	**Nominal value**	**Interest**	**Maturity date**
Loan on debenture terms I/2008	15 023	15 000	Euribor 3 month + 0.5%	15.1.2018
Loan on debenture terms II/2008	5 002	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 Supervisory Authority. The repurchase requires that the loans can be resold to a new investor within a short period. The noteholder does not have the right to require that the loan be 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.

18. Distribution of maturity of financial assets and liabilities	31.12.2012					
	0–3 mos.	3–12 mos.	1–5 yrs	5–10 yrs	More than 10 yrs	Total
Cash	164 062	0	0	0	0	164 062
Debt securities eligible for refinancing with central banks	93 686	264 246	1 585 923	0	0	1 943 855
Receivables from credit institutions	46 214	0	0	0	0	46 214
Receivables from the public and public sector entities	71 652	43 923	183 476	58 412	11 906	369 369
Debt securities	13 314	102 736	302 799	19 434	0	438 283
Financial assets, total	**388 928**	**410 904**	**2 072 198**	**77 846**	**11 906**	**2 961 783**
Liabilities to credit institutions	0	0	300 000	0	0	300 000
Liabilities to the public and public sector entities	2 305 818	185 928	9 387	0	0	2 501 133
Subordinated liabilities	0	0	0	20 000	0	20 000
Financial liabilities, total	**2 305 818**	**185 928**	**309 387**	**20 000**	**0**	**2 821 133**

	31.12.2011					
	0–3 mos.	3–12 mos.	1–5 yrs	5–10 yrs	More than 10 yrs	Total
Cash	6 670	0	0	0	0	6 670
Debt securities eligible for refinancing with central banks	25 422	223 902	1 590 945	0	0	1 840 269
Receivables from credit institutions	203 018	0	0	0	0	203 018
Receivables from the public and public sector entities	74 019	36 242	133 981	63 845	2 606	310 693
Debt securities	61 906	54 734	301 418	11 378	0	429 435
Financial assets, total	**371 036**	**314 877**	**2 026 344**	**75 223**	**2 606**	**2 790 085**
Liabilities to credit institutions	0	0	200 000	0	0	200 000
Liabilities to the public and public sector entities	2 083 233	366 382	59 043	0	0	2 508 658
Subordinated liabilities	0	0	0	20 000	0	20 000
Financial liabilities, total	**2 083 233**	**366 382**	**259 043**	**20 000**	**0**	**2 728 658**

19. Breakdown of balance sheet items into domestic and foreign amounts and where counterparty is a group entity	**31.12.2012**			
	Domestic currency	**Foreign currency**	**Total**	**From group entities**
Balance sheet item				
Cash	164 062	0	164 062	0
Receivables from credit institutions	46 190	25	46 214	0
Receivables from the public and public sector entities	369 369	0	369 369	9 334
Debt securities	2 375 472	6 666	2 382 138	0
Derivative contracts	69	110	179	0
Shares and participations	87 473	0	87 473	3 882
Intangible assets	12 506	0	12 506	0
Other assets	35 111	0	35 111	1
Total	**3 090 251**	**6 801**	**3 097 052**	**13 217**
Liabilities to credit institutions	300 000	0	300 000	0
Liabilities to the public and public sector entities	2 501 133	0	2 501 133	1 111
Derivative contracts	17 601	9	17 610	0
Other liabilities	58 314	0	58 314	129
Total	**2 877 047**	**9**	**2 877 056**	**1 240**

	31.12.2011			
	Domestic currency	**Foreign currency**	**Total**	**From group entities**
Balance sheet item				
Cash	6 670	0	6 670	0
Receivables from credit institutions	203 018	0	203 018	0
Receivables from the public and public sector entities	310 693	0	310 693	9 870
Debt securities	2 269 704	0	2 269 704	0
Derivative contracts	511	0	511	0
Shares and participations	77 916	0	77 916	3 882
Intangible assets	12 687	0	12 687	0
Other assets	30 072	0	30 072	3
Total	**2 911 271**	**0**	**2 911 271**	**13 755**
Liabilities to credit institutions	200 000	0	200 000	0
Liabilities to the public and public sector entities	2 508 658	0	2 508 658	534
Derivative contracts	7 811	0	7 811	0
Other liabilities	48 319	0	48 319	411
Total	**2 764 788**	**0**	**2 764 788**	**945**

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 generally accepted valuation methods 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 on the balance sheet date.

Such changes in fair value for the 2012 and 2011 financial periods have not been entered in the income statement, excluding interest rate derivatives.

23. Financial assets measured at cost instead of fair value

Nothing to report

	31.12.2012		31.12.2011	
24. Fair values and carrying amounts of financial assets and liabilities	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash	164 062	164 062	6 670	6 670
Receivables from credit institutions	46 214	46 219	203 018	203 015
Receivables from the public and public sector entities	369 369	372 524	310 693	312 671
Debt securities*	2 382 138	2 411 706	2 269 704	2 288 812
Shares and participations	83 588	83 508	74 031	73 951
Shares and participations in associated companies	3	5	3	6
Shares and participations in companies belonging to the same Group	3 882	3 903	3 882	3 884
Derivative contracts	179	180	511	522
Financial liabilities				
Liabilities to credit institutions	300 000	302 718	200 000	200 013
Liabilities to the public and public sector entities	2 501 133	2 508 662	2 508 658	2 520 428
Derivatives and other liabilities held for trading	17 610	21 459	7 811	10 593
Subordinated liabilities	20 000	19 836	20 000	19 902

25. Equity items	31.12.2012	31.12.2011
Share capital; 1 Jan	33 540	33 540
Share capital; 31 Dec	**33 540**	**33 540**
Share premium reserve; 1 Jan	21 180	21 180
Share premium reserve; 31 Dec	**21 180**	**21 180**
Fair value reserve; 1 Jan	-21 650	4 794
Increase (+)/decrease(-)	68 639	-26 444
Fair value reserve; 31 Dec	**46 989**	**-21 650**
Invested non-restricted equity reserve; 1 Jan	104 448	104 448
Invested non-restricted equity reserve; 31 Dec	**104 448**	**104 448**
Profit (loss) from previous periods; 1 Jan	5 716	-1 084
Profit (loss) from previous periods; 31 Dec	5 716	-1 084
Profit/loss for the financial period	4 477	6 800
Total	**216 351**	**143 235**
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, rights of option, and issue of convertible debentures

Nothing to report

28. Shareholders and distribution of shareholdings

Owner	
SOK Corporation	50.0%
Helsinki Cooperative Society Elanto, Helsinki	10.0%
Cooperative Society Hämeenmaa, Lahti	3.9%
Cooperative Society OSLA, Porvoo	0.6%
Cooperative Society Varuboden, Kirkkonummi	0.9%
Cooperative Society Keskimaa, Jyväskylä	3.3%
Cooperative Society Ympäristö, Kouvola	1.4%
Cooperative Society Suur-Savo, Mikkeli	1.8%
Cooperative Society Ympyrä, Hamina	1.0%
Southern Karelia Cooperative Society, Lappeenranta	1.3%
Cooperative Society PeeÄssä, Kuopio	2.9%
Cooperative Society Maakunta, Kajaani	1.0%
Cooperative Society Jukola, Nurmes	0.2%
Northern Karelia Cooperative Society, Joensuu	1.6%
Koillismaa Cooperative Society, Kuusamo	0.4%
Cooperative Society Arina, Oulu	3.3%
Pirkanmaa Cooperative Society, Tampere	3.6%
Cooperative Society Keula, Rauma	0.8%
Satakunta Cooperative Society, Pori	1.5%
Suur-Seutu Cooperative Society SSO, Salo	2.3%
Turku Cooperative Society, Turku	3.0%
Southern Ostrobothnia Cooperative Society, Seinäjoki	2.4%
Cooperative Society KPO, Kokkola	2.9%
Lappajärvi Cooperative Society, Lappajärvi	0.0%
Total	**100.0%**

NOTES TO INCOME STATEMENT ITEMS, EUR THOUSAND

29. Interest income and expenses	**31.12.2012**	**31.12.2011**
Interest income		
Receivables from credit institutions	431	1 300
Receivables from the public and public sector entities	21 969	24 037
Debt securities	54 107	49 145
Derivative contracts	2 506	1 804
Other interest income	0	39
Total	**79 012**	**76 325**
of which intra-group items	226	202
Interest expenses		
Liabilities to credit institutions	2 524	248
Liabilities to the public and public sector entities	19 507	20 723
Derivative contracts	7 465	3 221
Other interest expenses	10	3
Subordinated liabilities	265	387
Total	**29 770**	**24 581**
of which intra-group items	0	2

30. Net income from leasing activities

Nothing to report

31. Income from equity investments

Nothing to report

32. Fee and commission income and expenses	31.12.2012	31.12.2011
Fee and commission income		
from lending	6 417	5 111
from borrowing	2 782	2 226
from payment transactions	4 122	3 412
from insurance brokerage	127	162
from other activities	84	70
	13 531	**10 981**
Fee and commission expenses		
Other	3 075	2 047

	31.12.2012		
33. Net income from securities trading and currency operations	**Gains and losses on sales (net)**	**Changes in fair value (net)**	**Total**
from debt securities	0	33	33
from derivative contracts	-3 298	-10 105	-13 404
Net income from securities trading, total	**-3 298**	**-10 072**	**-13 371**
Net income from currency operations	25	-9	16
Balance sheet item, total	**-3 273**	**-10 081**	**-13 355**

	31.12.2011		
	Gains and losses on sales (net)	**Changes in fair value (net)**	**Total**
from derivative contracts	-112	-7 235	-7 347
Net income from securities trading, total	**-112**	**-7 235**	**-7 347**
Balance sheet item, total	**-112**	**-7 235**	**-7 347**

34. Net income from available-for-sale financial assets	31.12.2012	31.12.2011
Net income from disposal of financial assets	16 164	3 450
Losses from impairment of financial assets	0	-1 920
Cancellation of losses from impairment of financial assets	325	0
Other income/expenses from available-for-sale financial assets	194	136

35. Net income from hedge accounting	31.12.2012	31.12.2011
Net income from hedging instruments	-13	0
Net income from hedging subjects	7	0

35. Net income from investment property	31.12.2012	31.12.2011
Rental income	1 193	864
Rental expenses	-989	-928
	204	**-65**

37. Other operating income	31.12.2012	31.12.2011
Other income	3 310	1 994

38. Other operating expenses	31.12.2012	31.12.2011
Rental expenses	1 121	1 069
Other expenses	2 186	1 801
Total	**3 307**	**2 870**

39. Depreciation, amortisation and impairment losses on tangible and intangible assets	31.12.2012	31.12.2011
Intangible assets		
Depreciation according to plan	4 244	4 122

There are no impairment losses on tangible and intangible assets

	31.12.2012			
40. Impairment losses on loans, other commitments and other financial assets	**Realised contract-specific credit losses, gross**	**Group-specific impairment losses, gross**	**Deductions**	**Total**
Receivables from the public and public sector entities	1 672	8 664	9 368	968

	31.12.2011			
	Realised contract-specific credit losses, gross	**Group-specific impairment losses, gross**	**Deductions**	**Total**
Receivables from the public and public sector entities	2 695	7 912	9 895	713

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, EUR THOUSAND

	Other collateral	
43. Collateral provided	**31.12.2012**	**31.12.2011**
Receivables from credit institutions*	20 600	7 460

* S-Bank has provided collateral on the basis of agreements relating to derivative trading (ISDA/CSA)

44. Pension liabilities

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

45. Leasing and other rental liabilities	**31.12.2012**	**31.12.2011**
Due in one year	194	157
Due in more than one year and less than five years	131	149
Due in more than five years	0	0
Total	326	306

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

46. Off-balance sheet commitments	**31.12.2012**	**31.12.2011**
Undrawn credit facilities	660 036	584 241

The bank has EUR 1 million as off-balance sheet commitments on behalf of companies included in the same 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

50. Personnel	2012 Average number	2012 Number on 31 Dec 2012	2011 Average number	2011 Number on 31 Dec 2011
Permanent full-time staff	130	134	116	123
Permanent part-time staff	35	38	23	31
Fixed-term staff	4	10	5	4
Total	**169**	**182**	**144**	**158**

Salaries and fees paid to management (EUR thousand)	**2012**	**2011**
Managing Director and his deputy	355	352
Executive Board		No fees paid

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

RELATED PARTY TRANSACTIONS, EUR THOUSAND

51. Loans and other financial receivables from related parties of the credit institution, and investments made in such entities and guarantees and collateral provided by third parties on behalf of such entities for repayment of loans.	**31.12.2012** Receivables from the public and public sector entities	**31.12.2011** Receivables from the public and public sector entities
Basis for classification as a related party		
Ownership	4 695	9 975
Management	44	25
Management of holding company	45	29
Total	**4 784**	**10 028**

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, EUR THOUSAND

52. Holdings in other companies	
S-Asiakaspalvelu Oy, domiciled in Helsinki	
Shareholding 100%	
Equity (EUR thousand)	73
Result for the period (EUR thousand)	21
S-Crosskey Ab, domiciled in Mariehamn	
Shareholding 40%	
Equity (EUR thousand)	12
Result for the period (EUR thousand)	-3
Kiinteistö Oy Lempäälän terminaali, domiciled in Helsinki	
Shareholding 100%	
Equity (EUR thousand)	50
Result for the period (EUR thousand)	0
Kiinteistö Oy Limingan terminaali, domiciled in Helsinki	
Shareholding 100%	
Equity (EUR thousand)	50
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, EUR THOUSAND

54. INFORMATION ON THE AUDITORS' FEES	31.12.2012	31.12.2011
Auditing	92	103
Other services	28	91

S-Bank

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