



# INTERIM REPORT

## JANUARY - JUNE 2011

S=Bank

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# EXECUTIVE BOARD

## REPORT, JANUARY—JUNE 2010

### THE COMPANY'S OPERATIONS DURING THE REVIEW PERIOD

S-Bank Ltd's deposit bank operations continued to grow in the first half of 2011.

The number of S-Bank service users increased by an average of 10,000 per month in the first half of the year. At the end of June, S-Bank had 2,378,560 customers.

By the end of June, more than one third of the co-op members of S Group cooperative enterprises had started to use the S-Etukortti Visa card. In January–June, S-Bank had issued an average of 21,000 new S-Etukortti Visa cards per month. At the end of June, S Group customers had a total of 787,533 Visa cards issued by S-Bank.

The number of S-Bank's electronic service users grew by about 60,000 customers. At the end of June, a total of 994,919 customers had S-Bank's online banking IDs in their use.

The amount of deposits by S-Bank's private customers grew by EUR 27 million. At the end of June, private customers had deposited a total of EUR 2,318 million into S-Bank's accounts. Corporate deposits included, S-Bank's total funds on deposit stood at EUR 2,431 million at the end of June.

The amount of credit granted by S-Bank remained nearly unchanged. At the end of June, the amount of outstanding credit totalled EUR 303 million.

S-Bank is an extremely solvent bank. At the end of June, S-Bank's capital adequacy ratio was 19.3 per cent, which clearly exceeds the 8.0 per cent minimum requirement set by the authorities.

S-Bank's financial performance was excellent during the first half of the year. S-Bank Group's profit totalled EUR 7.1 million in January–June. Profit for the corresponding period last year was EUR 3.6 million.

S-Bank made only minor improvements in its service offering during the first half of the year. Of these, the most significant improvements for the customers related to payment services. In February, the S-Bank NetPosti service was expanded with an option for ordering e-invoices. As of June, only the SEPA-compliant payment method has been available for online banking.

S-Bank expanded its investment business by making its first investments in property. At the beginning of April, S-Bank bought two logistics terminal properties from SOK Corporation.

S-Bank's financial performance for the first half of the year can be considered to have been successful as a whole. The increased use of services and favourable result development make it possible to further develop the operations of S Group's own bank.

# FINANCIAL STANDING

## FINANCIAL PERFORMANCE AND PROFITABILITY

The first half of the year was successful for S-Bank despite the challenging market situation. S-Bank's profit for January–June totalled EUR 7.1 million (3.6), which means that it nearly doubled compared to the previous year. The good profit development during the first half of the year mainly results from successful investment operations. A growth in the volume of retail bank operations was also visible in the development.

The positive result improved S-Bank's year-on-year cost/income ratio to 0.7 (0.8). Improved profitability increased the return on equity that was 4.4 per cent (2.2). Return on assets was 0.3 per cent (0.1).

Because of the transfer to consolidated financial statements, the figures for the period are presented as Group-specific figures. However, the figures for previous review periods have been presented as figures for S-Bank Ltd.

KEY FINANCIAL INDICATORS (EUR MILLION)	6/2011	6/2010	12/2010
Net interest income	31.1	16.9	38.3
Net fee and commission income	4.1	3.3	7.4
Other income	-1.3	7.4	15.4
<b>Net income (EUR million)</b>	<b>34.0</b>	<b>27.6</b>	<b>61.2</b>
Personnel expenses	-5.8	-3.8	-8.1
Other administrative expenses	-15.4	-14.8	-31.6
Depreciation and impairment losses	-2.1	-1.9	-3.9
Other expenses	-3.6	-3.5	-5.1
<b>Operating profit/loss (EUR million)</b>	<b>7.1</b>	<b>3.6</b>	<b>12.5</b>
Private customer deposits			
Demand deposits	1 826.3	2 118.0	1 968.3
Fixed-term	492.2	256.2	321.6
Corporate deposits	112.5	68.2	162.1
<b>Deposits total (EUR million)</b>	<b>2 431.1</b>	<b>2 442.4</b>	<b>2 452.0</b>
Debt securities	2 025.4	2 150.8	2 096.7
Central bank / credit institution receivables	215.4	103.6	198.7
Lending to the public	302.6	360.5	299.0
<b>Receivables total</b>	<b>2 543.4</b>	<b>2 614.9</b>	<b>2 594.4</b>
Cost/income ratio	0.7	0.8	0.7
Return on equity (moving 12 months)	9.9%	2.6%	7.7%
Return on assets (moving 12 months)	0.6%	0.2%	0.5%
Equity ratio	6.2%	6.0%	6.1%

## Income

Net income for the review period increased from the previous year, totalling EUR 34.0 million (27.6). This was a 23.1 per cent increase from the previous year. The majority of net income was still constituted by net interest income, totalling EUR 31.1 million (16.9). Net interest income increased by 84.4 per cent compared to the previous year. Income in net interest income consisted mainly of investments in money and capital markets. S-Bank's investment operations were successful in the low-interest environment. Income from card and credit products increased from the previous year as well and had a positive effect on net income. Interest expenses consisted mainly of interest on deposits paid to customers.

Net fee and commission income, which is mainly generated through card business, borrowing and payment transactions, increased by 23.3 per cent from the previous year, totalling EUR 4.1 million (3.3). However, other income decreased and were EUR 1.3 million negative (7.4). Other income consisted of net income from available-for-sale financial assets, net income from securities trading and other operating income.

## Expenses

The operating expenses in the period under review totalled EUR 26.8 million (24.0). The expenses increased by 11.7 per cent from the previous year. The transfer to consolidated financial statements increased personnel expenses by 50.9 per cent from the previous year to EUR 5.8 million (3.8). The rapid growth is attributable to the fact that S-Asiakaspalvelu Oy's personnel expenses were included in S-Bank Group's personnel expenses. S-Asiakaspalvelu Oy is wholly owned by S-Bank. Its personnel expenses were previously included in S-Bank's other administrative expenses. In spite of this change, other administrative expenses also grew from the previous year, totalling EUR 15.4 million (14.8). Other administrative expenses were mainly increased by system expenses and implemented marketing campaigns during the period under review. Depreciation remained nearly at last year's level, standing at EUR 2.1 million (1.9). Other expenses totalled EUR 3.6 million (3.5). Other expenses include credit and impairment losses and other operating expenses.

During the period under review, S-Bank posted a total of EUR 2.0 million (2.5) in impairment and credit losses from lending to customers. The impairment losses were group-specific by nature. S-Bank posts impairment and credit

losses if there is objective evidence of uncertainty regarding the repayment of receivables.

## Balance sheet

At the end of the period under review, the sum total on the balance sheet was EUR 2,665.9 million. The balance sheet decreased by EUR 21.7 million from the turn of the year. A decrease in the amount of corporate deposits was visible in the balance sheet development. However, deposits by private customers continued to grow. Private customers clearly began to prefer fixed-term deposits to demand deposits. Demand deposits totalled EUR 1,826.3 million at the end of the review period while they had totalled EUR 1,968.3 million at the turn of the year. At the same time, fixed-term deposits increased by EUR 170.6 million, climbing to EUR 492.2 million. At the end of the review period, corporate deposits totalled EUR 112.5 million. Corporate deposits decreased by EUR 49.5 million from the turn of the year.

At the end of the review period, S-Bank's equity was EUR 166.4 million. This showed an increase of EUR 3.5 million from the turn of the year. Equity was increased by the EUR 7.1 million profit and decreased by the fair value reserve. The fair value reserve decreased by EUR 6.0 million from the turn of the year and stood at EUR 1.2 million negative at the end of the review period.

S-Bank mainly invested its capital in the money and capital markets. At the end of the period under review, the bank's debt securities totalled EUR 2,025.4 million, of which EUR 1,619.3 million were debt securities eligible for refinancing with central banks. The number of debt securities decreased by EUR 71.3 million from the turn of the year. All debt securities were categorised as available-for-sale financial assets. The decrease in debt securities resulted from investments in reserves and properties. At the end of the review period, the sum total of lending was EUR 302.6 million, i.e. at almost the same level as at the turn of the year. Lending grew by EUR 3.5 million from the turn of the year. At the end of the review period, receivables from the central bank and credit institutions totalled EUR 215.4 million, i.e. EUR 17.3 million more than at the turn of the year.

Due to minor changes in the balance sheet and equity, the bank's equity ratio remained at the same level as at the turn of the year, standing at 6.2 per cent (6.1).

# CAPITAL ADEQUACY

## DISCLOSURE OF CAPITAL ADEQUACY INFORMATION

In Finland, banking operations and risk taking thereof are regulated by means of prudential supervision, for example. The capital adequacy framework consists of three pillars that are closely connected. 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 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 the own funds information on its capital adequacy once per year in the Executive Board Report. 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 would arise, for example, if the company is capitalised in deviation of the capital plan. S-Bank publishes the Interim Report once per year for the period of the first six months.

At the time of this review, there is no such capital adequacy-related information that will not be disclosed on the grounds of business secrets or confidentiality.

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, S-Bank's Tier I funds consist of the invested non-restricted equity reserve.

In previous years, S-Bank's Tier I funds also consisted of voluntary provisions but the accrued depreciation difference is in the consolidated own funds taken into consideration through Group-based eliminations in retained earnings less deferred tax liability. S-Bank's Tier I own funds are categorised as non-restricted own funds in full; in other words, the bank has full power of decision over the repayment of the funds and over the dividends to be distributed on them.

Profit shown in the Interim Report is included in own funds. The unamortised portion of the acquisition costs of intangible assets is deducted from Tier I own funds.

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

S-Bank does not have items categorised as deductible from Tier II own funds or jointly from Tier I and Tier II own funds.

At the end of the review period, the bank's capital adequacy ratio was 19.3 per cent (19.3). S-Bank's own funds totalled EUR 174.3 million (160.6), whereas the minimum requirement for the bank's own funds is EUR 72.4 million (66.4). The bank's own funds were most significantly tied by the credit risk capital adequacy requirement and the included items of "Receivables from credit institutions and investment firms" as well as "Retail receivables" and "Receivables from companies". The minimum requirement for the bank's own funds in credit risks totalled EUR 66.3 million (62.2). The minimum requirement for the bank's own funds in operative risks was EUR 6.1 million (4.2).

<b>OWN FUNDS (EUR MILLION)</b>	<b>06/2011</b>	<b>06/2010</b>	<b>12/2010</b>
<b>Tier I own funds without deduction items</b>	167.6	148.0	160.5
Share capital	33.5	33.5	33.5
Share premium reserve	21.2	21.2	21.2
Invested non-restricted equity reserve	104.4	104.4	104.4
Voluntary provisions	0.0	2.3	2.4
Retained earnings			
Profits/losses from previous periods	-1.3	-13.4	-13.4
Profit/loss for the financial period*	7.1		12.4
<b>Deduction items</b>			
Intangible assets	12.1	13.0	12.6
<b>Tier I own funds total</b>	<b>155.6</b>	<b>135.0</b>	<b>147.9</b>
<b>Tier II own funds</b>	<b>18.8</b>	<b>25.5</b>	<b>23.5</b>
Fair value reserve	-1.2	5.5	3.5
Debentures	20.0	20.0	20.0
<b>Own funds total</b>	<b>174.3</b>	<b>160.6</b>	<b>171.5</b>
<b>Capital adequacy ratio</b>	<b>19.3%</b>	<b>19.3%</b>	<b>20.8%</b>
<b>Capital adequacy ratio for Tier I own funds</b>	<b>17.2%</b>	<b>16.3%</b>	<b>17.9%</b>

\* In previous years, S-Bank has not included the positive result, if any, shown in the Interim Report in its own funds.

MINIMUM AMOUNT OF OWN FUNDS (EUR MILLION)	06/2011		06/2010		12/2010	
	Exposure value	Own funds	Exposure value	Own funds	Exposure value	Own funds
<b>Minimum capital adequacy requirement for credit risk</b>						
Receivables from governments and central banks	288.9	0.1	359.3	1.7	327.4	0.2
Receivables from regional administration and local authorities	5.2	0.0	36.3	0.0	16.2	0.0
Receivables from public sector entities and public institutions	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from international development banks	5.1	0.0	10.4	0.0	5.2	0.0
Receivables from credit institutions and investment firms*	1 676.1	29.4	1 509.1	25.9	1 627.5	28.0
Receivables from companies	168.1	12.3	188.4	14.2	145.9	10.8
Retail receivables	197.2	11.8	212.7	12.8	205.9	12.4
Receivables with real estate securities	3.5	0.1			3.8	0.1
Overdue receivables	9.5	1.1	7.3	0.9	8.3	1.0
Covered bonds	201.4	1.6	275.8	2.2	262.8	2.1
Investments in investment funds	74.3	5.9	17.4	1.4	56.2	4.5
Other items	26.7	1.4	16.5	0.2	16.4	0.2
Off-balance sheet commitments	566.0	2.5	473.7	3.0	560.6	2.7
<b>Total</b>	<b>3 221.9</b>	<b>66.3</b>	<b>3 106.9</b>	<b>62.2</b>	<b>3 236.3</b>	<b>61.9</b>
<b>Minimum capital adequacy requirement for credit risk total</b>		<b>66.3</b>		<b>62.2</b>		<b>61.9</b>
<b>Minimum capital adequacy requirement for market risk</b>		Noth. to report		Noth. to report		Noth. to report
<b>Minimum capital adequacy requirement for operational risks</b>		<b>6.1</b>		<b>4.2</b>		<b>4.2</b>
<b>Minimum amount of own funds, total</b>		<b>72.4</b>		<b>66.4</b>		<b>66.1</b>

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



# ADMINISTRATION

## ANNUAL GENERAL MEETING

S-Bank's Annual General Meeting was held on 14 March 2011. The meeting adopted the financial statements for the previous year and released the Executive Board and Managing Director from liability. The meeting resolved not to distribute dividend. The number of Executive Board members was confirmed as six, and the members were nominated. KPMG Oy Ab, Authorised Public Accountants, was elected as auditor.

## EXECUTIVE BOARD

At the Annual General Meeting, the following persons were re-elected the members of the S-Bank Executive Board: Jari Annala, Senior Vice President, SOK Finance and Administration; Matti Niemi, Managing Director; Folke Lindström, Managing Director; Veli-Matti Puutio, Managing Director; Arto Piela, Managing Director, and Juha Ahola, Senior Vice President, SOK Finance. The Executive Board elected Jari Annala as Chairman and Folke Lindström as Vice Chairman. The Board convened eight times during the period under review. The Board members received no meeting fees.

## MANAGING DIRECTOR

S-Bank Ltd's Managing Director is Pekka Ylihurula. General Counsel Veli-Matti Parmala is the Deputy Managing Director.

## PERSONNEL

S-Bank Group employed 222 persons at the end of the review period. The number of personnel increased by 10 during the period under review. Of personnel, 143 persons work for S-Bank and 79 for S-Asiakaspalvelu Oy. Wages, salaries and remuneration paid by the Group during the review period totalled EUR 4.7 million (3.1).

## S-ASIAKASPALVELU OY

S-Asiakaspalvelu Oy is S-Bank's wholly-owned subsidiary. 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).

During the review period, the revenue of S-Asiakaspalvelu amounted to EUR 2.3 million (1.9), of which EUR 1.5 million (1.2) was intra-Group revenue. Other revenue consisted of telephone services for co-op members offered to the cooperative enterprises. S-Asiakaspalvelu's expenses related mainly to personnel. The operating profit of S-Asiakaspalvelu was EUR 0.1 million.

## MAIN EVENTS AFTER THE END OF THE FINANCIAL PERIOD

No main events after the review period.

## OUTLOOK FOR THE SECOND HALF OF THE YEAR

S-Bank aims to further increase the use of its bank services during the second half of the year. Total funds on deposit are expected to remain at the present level during the second half of the year. Insecure market situation, general debt crisis and low-interest environment pose their own challenge for the second half of the year and the result for the whole year is expected to fall behind the result for last year.

*Executive Board, 16 August 2011*

# CALCULATION OF KEY INDICATORS

## Net interest income:

Interest income – interest expenses

## Net fee and commission income

Fee and commission income – fee and commission expenses

## Other income:

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

## Other expenses:

Other operating expenses + impairment losses from credits and other receivables

## Cost-income ratio:

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

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

## Return on equity (ROE), %

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Operating profit/loss - income taxes

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

x 100

## Return on assets (ROA), %

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Operating profit/loss - income taxes

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

x 100

## Equity ratio, %

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Equity and minority interest + accumulated appropriations  
less deferred tax liability

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Balance sheet sum total

x 100

## Capital adequacy ratio, %

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Own funds total

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Minimum requirement for own funds, total

x 8 %

## Capital adequacy ratio for Tier I own funds, %

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Tier I own funds total

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Minimum requirement for own funds, total

x 8 %

# BALANCE SHEET

ASSETS (EUR MILLION)	30.6.2011	30.6.2010	31.12.2010
Cash	5.0	101.8	7.1
Debt securities eligible for refinancing with central banks	1 619.3	1 968.4	1 774.3
Receivables from credit institutions	210.5	1.8	191.6
Receivables from the public and public sector entities	302.6	360.5	299.0
Debt securities	406.1	182.4	322.5
Shares and participations	74.3	17.4	56.2
Shares and participations in associated companies	0.0	0.0	0.0
Shares and participations in companies belonging to the same Group	0.0	0.1	0.1
Derivative contracts	1.7	0.2	0.6
Intangible assets	12.1	13.0	12.6
Tangible assets	14.0		0.0
Share issue receivables	0.0	0.0	0.0
Other assets	1.2	1.5	3.1
Accrued income and prepayments	19.2	21.0	20.5
<b>ASSETS, TOTAL</b>	<b>2 665.9</b>	<b>2 668.0</b>	<b>2 687.6</b>

<b>LIABILITIES (EUR MILLION)</b>	<b>30.6.2011</b>	<b>30.6.2010</b>	<b>31.12.2010</b>
<b>LIABILITIES</b>			
Liabilities to the public and public sector entities	2 454.4	2 465.9	2 481.6
Derivatives and other funds held for trading	0.4	1.0	0.7
Other liabilities	14.8	13.5	11.4
Accruals, deferred income and advances received	8.8	7.8	7.8
Subordinated liabilities	20.0	20.0	20.0
Deferred tax liabilities	1.1		
<b>ACCUMULATED APPROPRIATIONS</b>			
Depreciation difference	0.0	3.1	3.2
<b>EQUITY</b>			
Share capital	33.5	33.5	33.5
Share premium reserve	21.2	21.2	21.2
Non-restricted reserves	103.2	111.9	109.2
Profit (loss) from previous financial periods	1.3	-13.4	-13.4
Profit (loss) for the financial period	7.1	3.6	12.4
<b>LIABILITIES, TOTAL</b>	<b>2 665.9</b>	<b>2 668.0</b>	<b>2 687.6</b>
<b>OFF-BALANCE SHEET COMMITMENTS</b>			
<b>Commitments given on behalf of a customer</b>			
Irrevocable	62.7	75.1	66.4
Other	503.2	398.5	494.2

# INCOME STATEMENT

(EUR million)	1.1.–30.6.2011	1.1.–30.6.2010	1.1.–31.12.2010
<b>NET INTEREST INCOME</b>	31.1	16.9	38.3
Fee and commission income	5.2	4.3	9.4
Fee and commission expenses	-1.1	-0.9	-2.0
<b>Net income from securities trading and currency operations</b>			
Net income from securities trading	1.3	-0.3	0.4
<b>Net income from available-for-sale financial assets</b>	-4.3	4.5	10.2
<b>Net income from investment property</b>	0.1		0.0
<b>Other operating income</b>	1.6	3.1	4.9
<b>Personnel expenses</b>	-5.8	-3.8	-8.1
<b>Other administrative expenses</b>	-15.4	-14.8	-31.6
<b>Depreciation, amortisation and impairment of tangible and intangible assets</b>	-2.1	-1.9	-3.9
<b>Other operating expenses</b>	-1.5	-1.0	-2.2
<b>Impairment losses on loans and other receivables</b>	-2.0	-2.5	-2.9
<b>Share of equity earnings in associated companies</b>	0.0		
<b>OPERATING PROFIT (LOSS)</b>	<b>7.1</b>	<b>3.6</b>	<b>12.5</b>
<b>Appropriations</b>			<b>-0.2</b>
<b>PROFIT (LOSS) FOR THE REVIEW PERIOD</b>	<b>7.1</b>	<b>3.6</b>	<b>12.4</b>

# CASH FLOW STATEMENT

(EUR million)	1.1.–30.6.2011	1.1.–30.6.2010	1.1.–31.12.2010
<b>CASH FLOW FROM OPERATIONS</b>			
Cash flow from operations	11.8	17.8	30.6
Increase (-) or decrease in operating assets	-7.7	-218.9	-195.1
Increase or decrease (-) in operating liabilities	-26.7	-22.3	-8.2
<b>Net cash from operations</b>	<b>-22.6</b>	<b>-223.4</b>	<b>-172.6</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets	-1.4	-1.6	-3.2
Acquisition of subsidiaries	-3.2		
<b>Net cash provided by (used in) investing activities</b>	<b>-4.7</b>	<b>-1.6</b>	<b>-3.2</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in equity	0.0	0.0	0.0
Issue of loan on debenture terms		0.0	0.0
Repayment of loan receivables	-10.1		
<b>Net cash provided by (used in) financing activities</b>	<b>-10.1</b>	<b>0.0</b>	<b>0.0</b>
Net increase in cash and cash equivalents	-37.3	-225.0	-175.8
Cash and cash equivalents at the beginning of the financial period	2 353.8	2 474.4	2 474.4
Cash and cash equivalents at the end of the financial period	2 316.5	2 249.4	2 298.6

# NOTES TO THE INTERIM REPORT

## BASIC COMPANY DATA

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 are located at Fleminginkatu 34, 00510 Helsinki, Finland. The bank does not have other branch offices. Under agency agreements, customer service is also provided by the S Group cooperative enterprises at their outlets.

## ACCOUNTING POLICIES

The Interim Report for 1 January–30 June 2011 has been prepared in accordance with the Accounting Act and, as applicable, with the provisions of the Credit Institutions Act and the Ministry of Finance's Decree on Financial Statements and Consolidated Financial Statements of Credit Institutions and Investments Companies, as well as with the Financial Supervisory Authority's regulations, updated on 18 November 2008, concerning the income statement, balance sheet and notes to the financial statements, which came into force on 1 December 2005. In addition, the Interim Report has been prepared pursuant to the Financial Supervisory Authority's regulations concerning the market disclosure of capital adequacy information.

S-Bank complies with its essential accounting policies in the Interim Report. However, S-Bank has decided to prepare the consolidated financial statements for the 2011 financial period and the Interim Report is also prepared for the Group. As a result, the following additions were considered in the accounting policies with respect to preparation principles followed in the financial statements.

## PRINCIPLES OF CONSOLIDATION

In addition to S-Bank Ltd, the consolidated financial statements include S-Asiakaspalvelu Oy, Kiinteistö Oy Liminka terminal and Kiinteistö Oy Lempäälä terminal. These companies are wholly owned by S-Bank. The bank has no over 50 per cent ownership in other companies. The subsidiaries acquired are included in the financial statements using the acquisition cost method. Companies acquired during the financial year have been consolidated from the date of

acquisition. Associated company S-Crosskey has been consolidated using the equity method.

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

## 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 (years):

Buildings	25
Equipment in buildings	10

## INVESTMENT PROPERTY

Investment properties are such properties that are used by operations outside the Group and that the Group primarily holds to obtain 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.

DERIVATIVE CONTRACTS (EUR MILLION)	30.6.2011		
	Nominal value	Positive fair value	Negative fair value
<b>For non-hedging purposes</b>			
Interest rate derivatives			
Interest rate swaps	284.0	1.6	-0.3
Equity derivatives			
Option agreements, bought	7.9	0.1	-0.1
Option agreements, written	8.9		

Of the nominal value of derivative liabilities, EUR 9 million mature in less than one year and EUR 282.9 million in 1–5 years.

DERIVATIVE CONTRACTS (EUR MILLION)	30.6.2010		
	Nominal value	Positive fair value	Negative fair value
<b>For non-hedging purposes</b>			
Interest rate swaps	60.5	0.2	-1.0

Of the derivative liabilities, EUR 5.0 million is due in less than one year and EUR 55.5 million in 1–5 years

S-Bank does not apply hedge accounting.

DEFERRED TAX ASSETS AND LIABILITIES (EUR MILLION)	30.6.2011	30.6.2010
Deferred tax assets attributable to losses	1.1	1.1
Deferred tax assets / liabilities arising from the fair value reserve	0.3	-1.2
Deferred tax liability on depreciation difference	1.1	0.8

Deferred tax liability on depreciation difference has been recognised in the consolidated balance sheet. Other deferred taxes are presented on 30 June 2011 in the Notes to the Interim Report.



COLLATERAL AND CONTINGENT LIABILITIES (EUR MILLION)	Other collateral	
	30.6.2011	30.6.2010
Collateral provided		
Other liabilities	0.0	10.8

As a company that is launching card operations, S-Bank has deposited funds in escrow for the benefit of Visa Europe Services Inc to cover transactions related to payment transactions outside Finland. Visa Europe Services Inc has released the funds provision in May 2011.

## PENSION LIABILITIES

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

LEASING AND OTHER RENTAL LIABILITIES (EUR MILLION)	30.6.2011	30.6.2010	31.12.2010
Due in one year	0.1	0.1	0.1
Due in more than one year and less than five years	0.1	0.1	0.1
Due in more than five years			
<b>Total</b>	0.3	0.2	0.2

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

MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES (EUR MILLION)	30.6.2011					Total
	Less than 3 mos.	3-12 mos.	1-5 yrs	5-10 yrs	More than 10 yrs	
Cash	5.0	0.0	0.0	0.0	0.0	5.0
Debt securities eligible for refinancing with central banks	8.5	135.9	1 474.9	0.0	0.0	1 619.3
Receivables from credit institutions	210.5	0.0	0.0	0.0	0.0	210.5
Receivables from the public and public sector entities	79.7	28.1	117.2	71.3	6.2	302.6
Debt securities	80.0	16.9	297.8	11.5	0.0	406.1
Receivables total	383.7	180.9	1 889.9	82.8	6.2	2 543.5
Liabilities to the public and public sector entities	2 024.8	357.3	72.3	0.0	0.0	2 454.4
Subordinated liabilities	0.0	0.0	0.0	20.0	0.0	20.0
Liabilities total	2 024.8	357.3	72.3	20.0	0.0	2 474.4
<b>Receivables and liabilities total</b>	<b>-1 641.1</b>	<b>-176.3</b>	<b>1 817.6</b>	<b>62.8</b>	<b>6.2</b>	<b>69.1</b>

MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES (EUR MILLION)	30.6.2010					Total
	Less than 3 mos.	3-12 mos.	1-5 yrs	5-10 yrs	More than 10 yrs	
Cash	101.8	0.0	0.0	0.0	0.0	101.8
Debt securities eligible for refinancing with central banks	91.6	357.3	1 519.5	0.0	0.0	1 968.4
Receivables from credit institutions	1.8	0.0	0.0	0.0	0.0	1.8
Receivables from the public and public sector entities	65.7	125.7	78.2	51.7	74.6	30.3
Debt securities	54.4	35.1	86.1	6.8	0.0	182.4
Receivables total	375.3	470.6	1 657.3	81.4	30.3	2 614.9
Liabilities to the public and public sector entities	2 244.6	96.0	125.3	0.0	0.0	2 465.9
Subordinated liabilities	0.0	0.0	0.0	20.0	0.0	20.0
Liabilities total	2 244.6	96.0	125.3	20.0	0.0	2 485.9
<b>Receivables and liabilities total</b>	<b>-1 869.3</b>	<b>374.6</b>	<b>1 532.0</b>	<b>61.4</b>	<b>30.3</b>	<b>129.0</b>

Demand deposits are classified under "Less than 3 mos."

INTEREST RATE TYING PERIODS (EUR MILLION)	30.6.2011					Total
	Less than 3 mos.	3-6 mos.	6-12 mos.	1-5 yrs	More than 5 yrs	
Cash	5.0	0.0	0.0	0.0	0.0	5.0
Debt securities eligible for refinancing with central banks	1 174.1	32.5	31.5	381.2	0.0	1 619.3
Receivables from credit institutions	210.5	0.0	0.0	0.0	0.0	210.5
Receivables from the public and public sector entities	279.8	10.0	7.2	5.6	0.0	302.6
Debt securities	191.0	14.1	10.8	185.8	4.5	406.1
Receivables total	1 860.3	56.6	49.4	572.6	4.5	2 543.5
Liabilities to the public and public sector entities	2 024.8	71.1	286.2	72.3	0.0	2 454.4
Subordinated liabilities	20.0	0.0	0.0	0.0	0.0	20.0
Liabilities total	2 044.8	71.1	286.2	72.3	0.0	2 474.4
<b>Receivables and liabilities total</b>	<b>-184.5</b>	<b>-14.5</b>	<b>-236.7</b>	<b>500.3</b>	<b>4.5</b>	<b>69.1</b>

INTEREST RATE TYING PERIODS (EUR MILLION)	30.6.2010					Total
	Less than 3 mos.	3-6 mos.	6-12 mos.	1-5 yrs	More than 5 yrs	
Cash	101.8	0.0	0.0	0.0	0.0	101.8
Debt securities eligible for refinancing with central banks	1 189.9	35.9	164.5	578.0	0.0	1 968.4
Receivables from credit institutions	1.8	0.0	0.0	0.0	0.0	1.8
Receivables from the public and public sector entities	103.4	325.8	16.5	18.2	0.0	0.0
Debt securities	148.3	4.1	20.4	9.7	0.0	182.4
Receivables total	1 767.6	56.5	203.2	587.7	0.0	2 614.9
Liabilities to the public and public sector entities	2 244.6	25.2	70.8	125.3	0.0	2 465.9
Subordinated liabilities	20.0	0.0	0.0	0.0	0.0	20.0
Liabilities total	2 264.6	25.2	70.8	125.3	0.0	2 485.9
<b>Receivables and liabilities total</b>	<b>-497.1</b>	<b>31.3</b>	<b>132.4</b>	<b>462.3</b>	<b>0.0</b>	<b>129.0</b>



# S=Bank

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