



# INTERIM REPORT JANUARY-JUNE 2016

S=Bank

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# EXECUTIVE BOARD'S

## REPORT FOR JANUARY-JUNE 2016

The most significant events in S-Bank during the first half of the year were related to operational developments and new products, as well as streamlining the corporate structure.

S-Bank's objective is to deliver the best digital banking service experience in Finland. In late 2015, S-Bank further specified its strategy with regard to digitisation. During the first half of 2016, S-Bank prepared to implement changes concerning its product selection and operating methods, among other aspects, in line with its strategy. The integration phase following the merger with LocalTapiola Bank in 2014 was completed in May, when MasterCard related to LocalTapiola were discontinued, and the affected customers were provided with Visa cards by S-Bank.

S-Bank Group centralised its operations and streamlined its corporate structure during the first half of the year. In February, S-Bank sold the entire share capital of two mutual real estate companies, Koy Limingan Terminaali and Koy Lempäälän Terminaali. At the beginning of March, FIM's brokerage and custody services were transferred to S-Bank. In June, S-Bank acquired the rest of FIM Corporation's share capital, and the companies' boards of directors approved the plan to merge FIM Corporation with S-Bank by the end of 2016.

In the spring, the Panama controversy provoked discussion on corporate responsibility in Finland. At around the same time, Finns selected S-Bank as the most responsible bank in the Sustainable Brand Index survey for the fourth consecutive year. The results of the BrandIndex survey by YouGov also indicated that Finns regard S-Bank as a strong, reliable operator: S-Bank was the most positively discussed Finnish financial brand during the first half of 2016. Customer service and credit control at S-Bank again received favourable feedback in the Customer's Voice survey in April.

Two significant new products were launched during the first half of the year. In February, S-Bank and the ABC chain introduced a mobile refuelling service that enables custom-

ers to pay for fuel using their smartphones. In May, the service was expanded beyond the Helsinki region to reach nearly two million Finns. The mobile refuelling service has been available for the Apple Watch since June. The service is unique, even internationally, and it won the Technology Innovation Award of the Association for Convenience and Fuel Retailing (NACS). In April, S-Bank introduced a calculator for comparing the advantages and costs of services provided by various banks.

Services related to investing and asset management at S-Bank Group are centralised in FIM. S-Bank sees asset management as a strategic growth area, and its investment in this area is reflected in the awards won by FIM funds, for example. In January, the FIM USA fund placed fourth in its category in a Morningstar comparison, and FIM Real won a Lipper Fund Award in March. FIM Real Estate was the most inexpensive and best-performing fund in a comparison published by Arvopaperi magazine.

### **S-BANK'S LENDING INCREASED CONSIDERABLY**

At the end of June, S-Bank had nearly 2.9 million customers, and they had more than 1.8 million S-Bank international debit cards. More than 1.6 million customers had acquired credentials for online and mobile banking. By the end of June 2016, S-mobiili had been downloaded to nearly 800,000 smartphones or tablets.

At the end of June, S-Bank's total funds on deposit were EUR 4,483.0 million, including EUR 3,574.5 million in private deposits and EUR 908.5 million in corporate deposits. Lending to private customers totalled EUR 2,432.1 million at the end of June, and lending to corporate customers amounted to EUR 724.0 million. Lending totalled EUR 3,156.1 million at the end of June.

FIM's assets under management were EUR 5,891.1 million at the end of June, including EUR 5,142.5 million in fund-managed capital. At the end of June, there were more than 200,000 unit holders in funds managed by FIM.

# FINANCIAL STANDING

## OPERATING ENVIRONMENT

The year 2016 began with a steep decline on global stock exchanges. However, the markets saw a period of continuous recovery from February to late spring, but skittishness began to increase again in June, as the EU referendum in the United Kingdom drew closer. Contrary to market expectations, the leave vote won the EU referendum on 23 June 2016. Share prices fell steeply after the decision but do not seem to be causing a long-term market decline. Brexit is more an indication of political failure on the part of Britain and the EU than a sign of economic or financial crisis. However, Brexit is increasing general uncertainty and may have negative effects on the British and European economies.

Long-term interest rates continued to decrease in the eurozone during the first half of the year. The decrease was partly due to the exceptional monetary policy measures implemented by the European Central Bank. Over the past twelve months, longer interest rate maturities have increasingly fallen to or below zero. At the beginning of the summer, even the German 10-year interest rate fell below zero.

The overall growth of production in Finland was modest and was mainly based on private consumption. Public spending remained at roughly the same level as in the previous year, and investments increased only slightly. The strengthening of the eurozone economy and the weakening of the euro gave only a modest boost to exports. Exports have been weaker than expected for a long period of time, and the demand for exports has not helped the Finnish economy to the same extent as it used to. In early 2016, our exports actually decreased year-on-year.

## FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank Group's operating result for January–June was EUR 15.4 million (12.2 million), and the profit for the financial period after the minority share was EUR 13.8 million (11.8 million). The capital adequacy ratio was 15.1 per cent (14.3). Its cost/income ratio was 0.77 (0.83), and the return on equity was 3.9 per cent (6.9). The return on assets was 0.3 per cent (0.6).

KEY FINANCIAL INDICATORS (EUR MILLION)	6/2016	6/2015	12/2015
Operating result	15.4	12.2	16.6
Net income	86.2	77.6	153.8
Deposits	4,483.0	4,088.0	4,112.0
Lending	3,156.1	2,717.6	2,831.1
Debt securities	1,665.7	1,650.1	1,594.2
Capital adequacy ratio	15.1%	14.3%	15.4%
Cost/income ratio	0.77	0.83	0.88
Return on equity (rolling 12 months)	3.9%	6.9%	3.2%
Return on assets (rolling 12 months)	0.3%	0.6%	0.3%
Equity ratio	7.7%	8.4%	8.2%

## NET INCOME

Net income increased year-on-year, totalling EUR 86.2 million in the first half of the year (77.6). Net interest income was EUR 34.9 million (35.9), and net fee and commission income was EUR 25.7 million (27.2). The sale of shares in Visa Europe Ltd. to Visa Inc. in June is reflected in the year-on-year increase in net income from available-for-sale financial assets. In addition, the sale of two real estate companies is reflected in the increase in other operating income. Net income from available-for-sale financial assets was EUR 19.8 million (7.3), and other operating income was EUR 7.5 million (4.2). Other net income consisted of net income from securities trading and currency operations, net income from hedge accounting, net income from investment properties and net income from equity investments.

## EXPENSES

Operating expenses for the review period totalled EUR 67.9 million (64.0), of which EUR 22.8 million (23.2) were personnel expenses. Other administrative expenses amounted to EUR 35.9 million (32.0). Depreciation on goodwill and tangible and intangible assets totalled EUR 5.5 million (5.5). Other operating expenses were EUR 3.6 million (3.3). Net credit and impairment losses recognised by S-Bank during the review period totalled EUR 3.0 million (1.4). Impairment is estimated specific to group and, with regard to considerable receivables, specific to a single receivable. S-Bank recognised impairment and credit losses if there was objective proof of uncertainty related to the repayment of receivables.

## DEPOSITS

Demand deposits totalled EUR 4,446.8 million (3,964.4) at the end of the review period, while they had totalled EUR 4,048.8 million at the turn of the year. Fixed-term deposits totalled EUR 36.2 million (123.6), while they had totalled EUR 63.2 million at the turn of the year. On the closing date, the total funds on deposit totalled EUR 4,483.0 million (4,088.0). At the turn of the year, the total funds on deposit amounted to EUR 4,112.0 million.

## LENDING AND INVESTMENT OPERATIONS

With regard to lending, the growth rate doubled compared to the previous year. Lending totalled EUR 3,156.1 million at the end of the review period (2,717.6). At the turn of the year, lending amounted to EUR 2,831.1 million. In addition to lending, S-Bank invested in the financial and capital markets. Debt securities totalled EUR 1,665.7 million (1,650.1) at the end of the review period, while they had totalled EUR 1,594.2 million at the turn of the year.

## SHAREHOLDERS' EQUITY

S-Bank's equity totalled EUR 393.3 million (396.6) at the end of the review period. At the turn of the year, its equity had totalled EUR 390.6 million. Its equity ratio was 7.7 per cent (8.4), while it had been 8.2 per cent at the turn of the year.

## ASSETS UNDER MANAGEMENT

The amount of assets being managed by FIM Asset Management Ltd. increased to EUR 5,891.1 million (6,193.9) in the review period, while it had been EUR 6,012.0 million at the turn of the year. Of these managed assets, the share of fund capital was EUR 5,142.5 million (5,430.5), and asset management capital accounted for EUR 748.6 million (755.7). At the turn of the year, the share of fund capital had been EUR 5,252.5 million, and asset management capital had accounted for EUR 759.5 million. Net subscriptions to mutual funds amounted to EUR -135.3 million in the report period (307.4). In 2015, the net subscriptions totalled EUR 226.4 million. The number of unit holders in the funds was more than 200,000 at the end of June. In addition to its own funds, FIM Asset Management manages the funds of LocalTapiola.

# CAPITAL ADEQUACY

## DISCLOSURE OF CAPITAL ADEQUACY INFORMATION

S-Bank Group publishes information about its capital adequacy and own funds annually in the notes to its financial statements. The same principle applies to the disclosure of information about risk management and specific types of risk. In special situations, capital adequacy information is also published in interim reports. Such a special situation occurs if the company is capitalised outside the capital plan. S-Bank Group publishes an interim report that covers the first six months of each calendar year.

## OWN FUNDS AND CAPITAL ADEQUACY

S-Bank Group's own funds can be divided into Tier 1 and Tier 2 own funds (T1 and T2). Tier 1 own funds consist of common equity (CET1) and additional equity, as well as deductions from common and additional equity. Since S-Bank Group does not have items classified as additional equity, the CET1 own funds are equal to the T1 own funds.

Common equity consists of restricted and unrestricted equity items and minority interest. The unamortised portion of the acquisition costs of intangible assets is deducted from common equity. S-Bank's restricted equity consists of

its share capital and fair value reserve less deferred tax liabilities. Unrestricted equity items include the invested unrestricted equity reserve and retained earnings. Retained earnings for the review period are included in common equity as a result of the permit granted by the Finnish Financial Supervisory Authority in accordance with Article 26 of the EU capital requirements regulation.

Tier 1 own funds are freely and immediately available for covering unexpected losses. S-Bank Group's Tier 1 own funds are categorised as non-restricted own funds in full. In other words, S-Bank Group has full power of decision over the repayment of the funds and over the dividends to be distributed on them.

The Tier 2 own funds consist of two loans on debenture terms in the Group. S-Bank Group does not have items categorised as deductible from Tier 2 own funds, or jointly from Tier 1 and Tier 2 own funds.

Own funds and capital adequacy are presented in accordance with the EU capital requirements regulation in the financial statements.

**CAPITAL ADEQUACY CALCULATION IN ACCORDANCE WITH THE EU CAPITAL REQUIREMENTS REGULATION:**

<b>OWN FUNDS (EUR MILLION)</b>	<b>6/2016</b>	<b>6/2015</b>	<b>12/2015</b>
<b>Common equity before deductions</b>	394.3	396.1	391.2
Share capital	82.9	82.9	82.9
Share premium account			
Reserve for invested unrestricted equity	243.8	243.8	243.8
Voluntary provisions			
Minority interest	0.0	9.5	9.2
<b>Retained earnings</b>			
Profit/loss from previous financial periods	44.9	32.0	32.0
Profit/loss for the financial period	13.8	11.8	12.8
Fair value reserve	9.0	16.1	10.4
<b>Deductions from common equity</b>	46.8	45.3	41.5
Intangible assets	44.7	38.2	35.6
Deferred tax assets	1.0	2.9	1.0
Fair value reserve, negative valuation	1.2	2.7	3.4
Dividend distribution, planned	0.0	1.5	1.5
<b>Tier 1 capital</b>			
<b>Common equity (CET 1)</b>	<b>347.5</b>	<b>350.8</b>	<b>349.8</b>
<b>Tier 1 capital</b>	347.5	350.8	349.8
<b>Tier 2 capital</b>	42.0	13.9	26.3
Fair value reserve			
Debentures	42.0	13.9	26.3
<b>Own funds, total</b>	<b>389.5</b>	<b>364.6</b>	<b>376.1</b>

Minimum requirement for own funds	207.7	203.7	194.9
<b>Capital adequacy ratio</b>	15.1%	14.3%	15.4%
Tier 1 capital	347.5	350.8	349.8
Minimum amount of own funds	207.0	203.7	194.9
<b>Solvency ratio of Tier 1 own funds</b>	13.4%	13.8%	14.4%
<b>Risk-weighted items, total</b>	2,587.9	2,546.3	2,436.0
of which the credit risk represents	2,272.5	2,242.4	2,133.0
of which the market risk represents	0.8	1.1	0.9
of which the operational risk represents	312.2	299.3	299.3
of which credit valuation adjustment represents	2.4	3.5	2.9
<b>Common equity in relation to risk-weighted items (%)</b>	<b>13.4%</b>	<b>13.8%</b>	<b>14.4%</b>
<b>Tier 1 capital in relation to risk-weighted items (%)</b>	<b>13.4%</b>	<b>13.8%</b>	<b>14.4%</b>
<b>Total capital in relation to risk-weighted items (%)</b>	<b>15.1%</b>	<b>14.3%</b>	<b>15.4%</b>



<b>MINIMUM AMOUNT OF OWN FUNDS (EUR MILLION)</b>	<b>6/2016</b>		<b>6/2015</b>		<b>12/2015</b>	
	<b>Exposure value</b>	<b>Own funds</b>	<b>Exposure value</b>	<b>Own funds</b>	<b>Exposure value</b>	<b>Own funds</b>
<b>Minimum capital adequacy requirement for credit risk</b>						
Claims or contingent claims on central governments or central banks	296.8		295.1		329.8	
Claims or contingent claims on regional governments or local authorities	176.4		51.2		56.1	
Claims or contingent claims on administrative bodies and non-commercial undertakings	17.1	0.3	10.0	0.2	20.0	0.3
Claims or contingent claims on multilateral development banks	5.1				5.1	
Claims or contingent claims on multilateral organisations			9.0			
Receivables from credit institutions and investment services companies	923.4	24.6	1,113.0	40.5	1,020.6	28.6
Receivables from undertakings	625.2	47.7	489.0	38.1	483.1	37.2
Retail receivables	703.7	42.2	620.1	37.2	657.8	39.5
Claims or contingent claims secured on real estate property	2,002.8	56.1	1,777.8	49.8	1,836.7	51.4
Matured receivables	10.7	1.1	10.9	1.1	18.4	2.0
Covered bonds	266.4	2.1	216.1	1.7	234.0	1.9
Mutual fund investments	26.7	2.1	33.2	2.7	30.6	2.4
Other items	29.8	2.1	49.2	3.1	42.9	2.7
Off-balance sheet commitments	1,220.3	3.4	1,108.4	4.9	1,245.1	4.5
<b>Total</b>	<b>6,304.3</b>	<b>181.8</b>	<b>5,782.9</b>	<b>179.4</b>	<b>5,980.1</b>	<b>170.6</b>
<b>Minimum capital adequacy requirement for credit risk, total</b>		<b>181.8</b>		<b>179.4</b>		<b>170.6</b>
<b>Minimum capital adequacy requirement for market risk</b>		<b>0.1</b>		<b>0.1</b>		<b>0.07</b>
<b>Minimum capital adequacy requirement for operational risks</b>		<b>25.0</b>		<b>23.9</b>		<b>23.94</b>
<b>Minimum capital adequacy requirement related to credit valuation adjustment</b>		<b>0.2</b>		<b>0.3</b>		<b>0.23</b>
<b>Minimum amount of own funds, total</b>		<b>207.0</b>		<b>203.7</b>		<b>194.9</b>

# ADMINISTRATION

## GENERAL MEETING

The Annual General Meeting was held on 30 March 2016. The Annual General Meeting adopted the 2015 financial statements and discharged the Executive Board and Managing Director from liability. Seven members and three deputy members were appointed to the Executive Board. KPMG Oy Ab, Authorised Public Accountants, was selected as the auditor at the Annual General Meeting.

## EXECUTIVE BOARD

At S-Bank's Annual General Meeting, the following members were re-elected to the Executive Board of S-Bank: Jari Annala, CFO of SOK; Juha Ahola, Financial Manager of SOK; Matti Niemi, Managing Director of Helsinki Cooperative Society Elanto (HOK-Elanto); Veli-Matti Puutio, Managing Director of Arina Cooperative Society and Harri Lauslahti, Group Director of the LocalTapiola Group. In addition, Juha Mäkinen, Senior Managing Director at LocalTapiola East, was elected to the Board as a new member. Heli Arantola, Senior Vice President of Strategy and Business Development of the Fazer Group, was elected to the Executive Board as an independent member.

The following deputy members were re-elected to the Executive Board of S-Bank: Hannu Krook, Managing Director of Cooperative Society Varuboden-Osla Handelslag, and Erik Valros, Senior Managing Director at LocalTapiola Uusimaa. In addition, Olli Vormisto, Managing Director of Cooperative Society Hämeenmaa, was elected to the Board as a new deputy member.

Board member Jari Eklund and deputy member Timo Mäki-Ullakko withdrew from the Board.

Jari Annala was elected as the chairman of the Board and Harri Lauslahti as its vice chairman.

## MANAGING DIRECTOR

Pekka Ylihurula serves as Managing Director of S-Bank Ltd. Aki Gynther, head of the Knowledge and Capital unit was appointed as deputy Managing Director as of 8 February 2016.

## PERSONNEL

The S-Bank Group employed 692 people (726) at the end of the review period. Of all employees, 477 (477) worked for S-Bank Ltd., 95 (144) worked for the FIM Group, and 120 (105) worked for S-Asiakaspalvelu Oy. Wages, salaries and remuneration paid by the Group during the review period totalled EUR 18.4 million (19.1).

# SUBSIDIARIES

## FIM GROUP

Services related to investing and asset management at S-Bank Group are centralised in FIM. In August 2013, S-Bank acquired 51% of the share capital of FIM Corporation. In June 2016, S-Bank acquired the rest of FIM Corporation's share capital, increasing its holding to 100 per cent.

FIM Corporation owns 100 per cent of the share capital of FIM Asset Management and FIM Investment Services Ltd., as well as 80 per cent of the share capital of FIM Real Estate Ltd. FIM Group's operating profit amounted to EUR -1.9 million (0.9) in the review period.

## S-ASIAKASPALVELU OY

S-Asiakaspalvelu Oy is a wholly owned subsidiary of S-Bank that provides data processing and other services that relate to a credit institution's core operations as a service company in accordance with the Finnish Act on Credit Institutions (9 February 2007/121).

The revenue of S-Asiakaspalvelu for the review period was EUR 3.9 million (3.7). Of this, EUR 3.0 million was intra-Group revenue (2.9). Other revenue consisted of telephone services for co-op members offered to the cooperative enterprises. Expenses were mainly related to personnel. S-Asiakaspalvelu's operating result was EUR 0.3 million (0.5).

## SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

There were no significant events.

## OUTLOOK FOR THE REMAINDER OF THE YEAR

The global economy continues to be uncertain. Rapid changes are not expected with regard to interest rate and stock market development. The growth rate in Finland is modest, and growth is mainly based on private consumption, with no rapid recovery in sight. This uncertainty is also reflected in S-Bank's outlook for the rest of 2016. The result for the second half of the year is expected to fall short of the level of the beginning of the year, but the full-year result is expected to be better than last year.

*Executive Board, 4 August 2016*

# CALCULATION OF KEY INDICATORS

## Net income:

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

## Debt securities:

Debt securities eligible for refinancing with central banks + debt securities

## Cost/income ratio:

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

Net interest income + income from equity investments + net fee and commission income + net income from 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 the year) x 100

## Return on assets (ROA), %

Operating profit/loss – income taxes  
The average sum total on the balance sheet (the average for the beginning and end of year) x 100

## Equity ratio, %

Equity and minority interest + accumulated appropriations less deferred tax liability  
The sum total on the balance sheet x 100

## Capital adequacy ratio, %

Own funds, total  
Total minimum capital requirement x 8 %

# BALANCE SHEET

ASSETS (EUR MILLION)	30 June 2016	30 June 2015	31 December 2015
Cash	167.6	187.7	207.3
Debt securities eligible for refinancing with central banks	1,059.1	1,151.8	1,123.6
Receivables from credit institutions	28.7	22.4	19.7
Receivables from the public and public sector entities	3,156.1	2,717.6	2,831.1
Leasing objects		3.0	
Debt securities	606.6	498.3	470.7
Shares and holdings	26.7	34.9	31.0
Shares and participations in associated companies			
Derivative contracts	2.5	4.5	1.7
Intangible assets	44.7	38.2	35.6
Tangible assets	0.5	12.5	12.2
Other assets	2.4	3.7	2.8
Accrued income and prepayments	29.1	33.9	31.7
Deferred tax assets	1.0	2.9	1.0
<b>TOTAL ASSETS</b>	<b>5,125.0</b>	<b>4,711.3</b>	<b>4,768.4</b>

<b>EQUITY AND LIABILITIES (EUR MILLION)</b>	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>31 December 2015</b>
<b>LIABILITIES</b>			
Liabilities to credit institutions	1.8	16.0	11.8
Liabilities to the public and public sector entities	4,508.4	4,111.3	4,146.4
Bonds issued to the public	28.9	49.6	44.1
Derivative contracts and other funds held for trading	16.1	13.4	12.1
Other liabilities	104.4	71.1	91.8
Accrued expenses and prepayments received	24.4	19.6	22.3
Subordinated debt	42.0	28.0	43.0
Deferred tax liabilities	5.7	5.8	6.3
<b>EQUITY</b>			
Share capital	82.9	82.9	82.9
Other restricted reserves	7.8	13.5	7.0
Non-restricted reserves	243.8	243.8	243.8
Retained earnings (losses)	44.9	32.0	32.0
Profit (loss) for the period	13.8	11.8	12.8
Equity attributable to minority interest	0.1	12.6	12.0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,125.0</b>	<b>4,711.3</b>	<b>4,768.4</b>
<b>OFF-BALANCE SHEET LIABILITIES</b>			
<b>Commitments given in favour of a customer</b>			
Irrevocable	193.6	224.2	258.4
Other	1,026.7	884.2	986.7

# INCOME STATEMENT, S-BANK GROUP

EUR MILLION	1 Jan – 30 Jun 2016	1 Jan – 30 Jun 2015	1 Jan – 31 Dec 2015
<b>NET INTEREST INCOME</b>	<b>34.9</b>	<b>35.9</b>	<b>72.1</b>
<b>Return on equity investments</b>			
Fee and commission income	42.3	44.8	89.7
Fee and commission expenses	-16.6	-17.7	-36.0
<b>Net income from securities and currency trading</b>			
Net income from securities trading	-1.2	1.8	0.7
Net income from currency trading			0.1
<b>Net income from available-for-sale financial assets</b>	<b>19.8</b>	<b>7.3</b>	<b>10.7</b>
<b>Net income from hedge accounting</b>	<b>-0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>Net income from investment properties</b>	<b>0.2</b>	<b>0.6</b>	<b>1.2</b>
<b>Other operating income</b>	<b>7.5</b>	<b>4.2</b>	<b>14.7</b>
<b>Personnel expenses</b>	<b>-22.8</b>	<b>-23.2</b>	<b>-50.7</b>
<b>Other administrative expenses</b>	<b>-35.9</b>	<b>-32.0</b>	<b>-66.1</b>
<b>Depreciation, amortisation and impairment on consolidated goodwill</b>	<b>-1.2</b>	<b>-1.0</b>	<b>-2.1</b>
<b>Depreciation and impairment on tangible and intangible assets</b>	<b>-4.3</b>	<b>-4.5</b>	<b>-10.5</b>
<b>Other operating expenses</b>	<b>-3.6</b>	<b>-3.3</b>	<b>-7.3</b>
<b>Impairment losses on loans and other receivables</b>	<b>-3.0</b>	<b>-1.4</b>	<b>-0.4</b>
<b>Share of results of associated companies</b>			
<b>OPERATING PROFIT (LOSS)</b>	<b>15.4</b>	<b>12.2</b>	<b>16.6</b>
<b>Income tax</b>	<b>-2.8</b>		<b>-4.1</b>
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER TAXES</b>	<b>12.6</b>	<b>12.2</b>	<b>12.6</b>
<b>Profit or loss for the period attributable to minority interest</b>	<b>1.2</b>	<b>-0.4</b>	<b>0.3</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>13.8</b>	<b>11.8</b>	<b>12.8</b>

# CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT (EUR MILLION)	6/2016	6/2015	12/2015
<b>CASH FLOW FROM OPERATIONS</b>			
Result for the period	13.8	11.8	12.8
Adjustments of the result for the period	2.8	2.3	7.6
Increase (-) or decrease (+) in operating assets:	-323.0	-140.2	-249.1
Receivables from the public and public sector entities	-325.3	-144.1	-254.7
Other assets	2.3	3.8	5.6
Increase (+) or decrease (-) in operating liabilities:	352.8	-39.6	8.0
Liabilities to credit institutions	-10.0	-52.2	-56.3
Liabilities to the public and public sector entities	362.0	21.5	56.5
Other liabilities	0.8	-8.9	7.8
<b>A. Cash flow from operations, total</b>	<b>46.3</b>	<b>-165.7</b>	<b>-220.7</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-2.9	-7.3	-11.4
Acquired shares in subsidiaries	-16.2		
Divested shares in subsidiaries	3.3		
Shares and participations in associated companies			
<b>B. Cash flow from investment activities, total</b>	<b>-15.8</b>	<b>-7.3</b>	<b>-11.4</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Subordinated liabilities, decrease	-1.0	-13.0	2.0
Dividends paid and other distribution of profits	-1.0	-1.5	
Change in minority interest	0.1	-0.7	-2.0
<b>C. Cash flow from financing activities, total</b>	<b>-1.9</b>	<b>-15.2</b>	
<b>NET CHANGE IN LIQUID ASSETS (A+B+C)</b>	<b>28.6</b>	<b>-188.2</b>	<b>-232.1</b>

Liquid assets at the start of the period	1,866.9	2,089.8	2,086.8
Liquid assets at the end of the period	1,895.5	1,901.6	1,854.7
Interest income	42.1	40.7	87.4
Interest expenses	-4.6	-4.8	-7.6
Profit adjustments for the period			
Net income from hedge accounting	0.6	-0.6	-0.6
Depreciation according to plan	5.5	5.5	
Share of results of associated companies			
Impairment losses on loans and other receivables	0.3	0.1	-0.8
Items without a payment transactions and other adjustments	-3.7	-2.7	
<b>Adjustments, total</b>	<b>2.8</b>	<b>2.3</b>	<b>7.6</b>
Cash	167.6	187.7	207.3
Debt securities	1,679.4	1,665.2	1,614.7
Shares and holdings	19.8	26.4	21.4
Receivables from credit institutions	28.7	22.4	19.7
<b>Total</b>	<b>1,895.5</b>	<b>1,901.6</b>	<b>1,863.1</b>



# NOTES

## ACCOUNTING POLICIES

### 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 Finnish Act on Credit Institutions (610/2014). In addition, the bank offers investment services pursuant to Chapter 1, section 11 of the Act on Investment Services (747/2012). As the parent company, S-Bank performs those tasks of the Group companies that must be carried out in a centralised manner, for example the Group's administration, guidance and supervision.

S-Bank's headquarters are located at Fleminginkatu 34, 00510 Helsinki, Finland. The bank does not have any other branch offices. Based on representative agreements, customer service is also provided by S Group cooperatives and the LocalTapiola Group's regional companies, which serve as agents at their outlets.

## ACCOUNTING POLICIES

The Interim Report for 1 January – 30 June 2016 has been prepared in accordance with the Accounting Act and, as applicable, with the provisions of the Act on Credit Institutions, the Ministry of Finance decree on financial statements and consolidated financial statements of credit institutions and investment service companies, as well as the Financial Supervisory Authority's new regulations concerning the accounting, financial statements and operating reports in the financial sector, effective as of 29 March 2016. In addition, the EU capital requirements regulation (CRR, EU 575/2013) and the Financial Supervisory Authority's statements were taken into account when preparing the Interim Report. S-Bank complies with its accounting policies in the Interim Report as applicable.

### COMPARABILITY

When comparing S-Bank Group's figures to those presented for the corresponding period of the previous year, the sale of the mutual real estate companies Koy Limingan Terminaali and Koy Lempäälän Terminaali in February 2016 must be taken into account, as must the acquisition of the rest of FIM Corporation's share capital in June 2016.

DERIVATIVE CONTRACTS (EUR MILLION)	30 June 2016		
	Nominal value	Positive fair value	Negative fair value
<b>For hedging purposes</b>			
Interest rate derivatives			
Interest rate swaps	556.2		-11.2
Nominal values of derivatives included in hedge accounting in accordance with the remaining maturity distribution			
Less than 1 year	200.0		
1–5 years	310.0		
More than 5 years	46.2		
<b>For non-hedging purposes</b>			
Interest rate derivatives			
Forward contracts			
Options, bought	200.0	0.4	
Options, written	225.0		-2.6
Interest rate swaps	20.0		-0.1
Equity derivatives			
Options, bought	5.6	1.4	
Options, written	5.6		-1.4
Nominal values of derivatives other than those included in hedge accounting in accordance with the remaining maturity distribution			
Less than 1 year			
1–5 years			
More than 5 years			

The total amount of derivatives with a company belonging to the same group as the counterparty is EUR 0 million.

DERIVATIVE CONTRACTS (EUR MILLION)	30 June 2015		
	Nominal value	Positive fair value	Negative fair value
<b>For hedging purposes</b>			
Interest rate derivatives			
Interest rate swaps	568.0	0.5	-7.8
<b>Nominal values of derivatives in accordance with the remaining maturity distribution</b>			
Less than 1 year	58.0		
1–5 years	485.0		
More than 5 years	25.0		
<b>For non-hedging purposes</b>			
Interest rate derivatives			
Forward contracts	100.0	0.1	
Options, bought	220.0	1.8	
Options, written	295.0		-1.1
Interest rate swaps	49.0		-1.0
Currency derivatives			
Forward contracts			
Interest rate swaps and currency swaps	12.5	0.4	-0.1
Equity derivatives			
Forward contracts			
Options, bought	29.8	1.7	
Options, written	29.8		-1.6
<b>Nominal values of derivatives in accordance with the remaining maturity distribution</b>			
Less than 1 year	173.6		
1–5 years	423.5		
More than 5 years	139.0		

The total amount of derivatives with a company belonging to the same group as the counterparty is EUR 0 million.

30 June 2016						
DISTRIBUTION OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES (EUR MILLION)	Less than 3 months	3–6 months	6–12 months	1–5 years	More than 5 years	Total
Cash	167.6					167.6
Debt securities eligible for refinancing with central banks	15.0	43.0	107.5	819.4	74.3	1,059.1
Receivables from credit institutions	28.7					28.7
Receivables from the public and public sector entities	203.1	84.5	218.5	1,075.9	1,574.1	3,156.1
Debt securities	122.1	86.2	55.7	329.9	12.8	606.6
<b>Financial assets, total</b>	<b>536.4</b>	<b>213.7</b>	<b>381.6</b>	<b>2,225.2</b>	<b>1,661.2</b>	<b>5,018.2</b>
Liabilities to credit institutions	1.8					1.8
Liabilities to the public and public sector entities	4,481.2	11.6	12.2	3.4		4,508.4
Bonds issued to the public	16.0	1.9	11.0			28.9
Subordinated debt					42.0	42.0
<b>Financial liabilities, total</b>	<b>4,499.0</b>	<b>13.5</b>	<b>23.2</b>	<b>3.4</b>	<b>42.0</b>	<b>4,581.1</b>
<b>Financial assets and liabilities, total</b>	<b>-3,962.6</b>	<b>200.2</b>	<b>358.4</b>	<b>2,221.8</b>	<b>1,619.2</b>	<b>437.0</b>

Demand deposits are included in the item “Less than 3 months”

30 June 2015						
DISTRIBUTION OF MATURITY OF FINANCIAL ASSETS AND LIABILITIES (EUR MILLION)	Less than 3 months	3–6 months	6–12 months	1–5 years	More than 5 years	Total
Cash	187.7					187.7
Debt securities eligible for refinancing with central banks	20.5	30.1	281.2	768.2	51.8	1,151.8
Receivables from credit institutions	22.4					22.4
Receivables from the public and public sector entities	209.9	77.7	137.7	940.3	1,351.9	2,717.6
Debt securities	5.8	25.7	32.3	418.6	15.9	498.3
<b>Financial assets, total</b>	<b>446.3</b>	<b>133.5</b>	<b>451.2</b>	<b>2,127.2</b>	<b>1,419.5</b>	<b>4,577.8</b>
Liabilities to credit institutions	11.0		5.0			16.0
Liabilities to the public and public sector entities	4,019.5	27.6	47.4	16.8		4,111.3
Bonds issued to the public	6.5	17.0	23.5	2.6		49.6
Subordinated debt				28.0		28.0
<b>Financial liabilities, total</b>	<b>4,037.0</b>	<b>44.6</b>	<b>75.9</b>	<b>47.4</b>		<b>4,204.9</b>
<b>Financial assets and liabilities, total</b>	<b>-3,590.7</b>	<b>88.9</b>	<b>375.3</b>	<b>2,079.8</b>	<b>1,419.5</b>	<b>372.9</b>

Demand deposits are included in the item “Less than 3 months”

30 June 2016						
<b>BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES BY MATURITY (EUR MILLION)</b>	<b>Less than 3 months</b>	<b>3–6 months</b>	<b>6–12 months</b>	<b>1–5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Cash	167.6					167.6
Debt securities eligible for refinancing with central banks	444.9	54.0	100.6	390.4	69.2	1,059.1
Receivables from credit institutions	28.7					28.7
Receivables from the public and public sector entities	1,350.4	684.0	902.7	201.3	17.9	3,156.1
Debt securities	214.6	117.6	28.7	232.8	12.8	606.6
<b>Financial assets, total</b>	<b>2,206.2</b>	<b>855.6</b>	<b>1,032.0</b>	<b>824.5</b>	<b>99.9</b>	<b>5,018.2</b>
Liabilities to credit institutions	1.8					1.8
Liabilities to the public and public sector entities	4,481.2	11.6	12.2	3.4		4,508.4
Bonds issued to the public	16.0	1.9	11.0			28.9
Subordinated debt	42.0					42.0
<b>Financial liabilities, total</b>	<b>4,541.0</b>	<b>13.5</b>	<b>23.2</b>	<b>3.4</b>		<b>4,581.1</b>
<b>Financial assets and liabilities, total</b>	<b>-2,334.8</b>	<b>842.1</b>	<b>1,008.7</b>	<b>821.1</b>	<b>99.9</b>	<b>437.0</b>

30 June 2015						
<b>BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES BY MATURITY (EUR MILLION)</b>	<b>Less than 3 months</b>	<b>3–6 months</b>	<b>6–12 months</b>	<b>1–5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Cash	187.7					187.7
Debt securities eligible for refinancing with central banks	517.2	15.5	202.4	369.9	46.8	1,151.8
Receivables from credit institutions	22.4					22.4
Receivables from the public and public sector entities	1,544.8	498.1	513.4	146.8	14.5	2,717.6
Debt securities	125.9	78.5	5.6	272.5	15.9	498.3
<b>Financial assets, total</b>	<b>2,398.0</b>	<b>592.1</b>	<b>721.4</b>	<b>789.2</b>	<b>77.1</b>	<b>4,577.8</b>
Liabilities to credit institutions	11.0		5.0			16.0
Liabilities to the public and public sector entities	4,019.5	27.6	47.4	16.8		4,111.3
Bonds issued to the public	6.5	17.0	23.5	2.6		49.6
Subordinated debt	28.0					28.0
<b>Financial liabilities, total</b>	<b>4,065.0</b>	<b>44.6</b>	<b>75.9</b>	<b>19.4</b>		<b>4,204.9</b>
<b>Financial assets and liabilities, total</b>	<b>-1,667.0</b>	<b>547.5</b>	<b>645.5</b>	<b>769.8</b>	<b>77.1</b>	<b>372.9</b>

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**NOTES CONCERNING COLLATERAL  
AND CONTINGENT LIABILITIES**

	30 June 2016	30 June 2015
<b>COLLATERAL PROVIDED (EUR MILLION)</b>	<b>Other collateral</b>	<b>Other collateral</b>
<b>Collateral provided on own debt, balance sheet item:</b>		
Liabilities to credit institutions		
Derivatives and other liabilities held for trading	15.3	10.0
<b>Collateral provided on own debt, total</b>	<b>15.3</b>	<b>10.0</b>
<b>Other collateral provided on own behalf</b>	<b>11.3</b>	<b>14.5</b>
<b>Collateral provided for others</b>		

**Pension liabilities**

The statutory pension security for the personnel has been arranged through Elo Mutual Pension Insurance.

**Leasing and other rental liabilities**

Within one year	1.6	0.4
Due in 1–5 years	2.0	0.3
In more than 5 years		
<b>Total</b>	<b>3.6</b>	<b>0.7</b>

The lease liabilities relate to vehicles, equipment, telephones and facilities. The agreements are not cancellable mid-term.

**Deferred tax receivables and liabilities**

Deferred tax assets attributable to losses	1.0	2.9
Deferred tax assets / liabilities arising from the fair value reserve	2.0	3.4
Deferred tax liability from appropriations	3.7	1.9
Deferred tax liability from consolidation measures		0.5



# S=Bank

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