S-Bank

ANNUAL REPORT

2011

S-Bank


2009
2011
2012

ANNUAL REPORT FOR 2011

FINANCIAL STATEMENTS FOR 2011

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 the S Group's own bank. S-Bank offers its customers services relating to daily payment transactions, savings and the financing of purchases.

These services are primarily aimed at S-Etukortti card users. They also get, free of charge, the bank's best customer benefits, such as the combination card, the current account and online banking IDs.

S-Bank offers savers a wide variety of account options. The credit range includes the S-Etukortti card with a low-interest Visa credit, and other consumer credit.

S-Bank services can be used at different S Group outlets around Finland. Furthermore, online banking services and customer service by telephone are available to customers.

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 2010

2 452 000 customers

EUR **2 473** million in deposits

948 000 S-Etukortti cards issued with Visa

1 066 000 online banking users

16.3% as the capital adequacy ratio

EUR **7.9** million as the result for 2010.

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. And when we pay with the S-Bank card, we get a payment method-related benefit, in addition to the Bonus.

REVIEW BY THE MANAGING DIRECTOR

PLAYING A GREATER PART IN THE EVERYDAY LIFE OF CO-OP MEMBERS

After a review of S-Bank's development in the light of figures, it is easy to confirm that in-store-banks have found their way into S Group's members everyday life. At present, nearly one million S Group customers are S-Etukortti Visa card owners who use their cards, more often than ever, in payment transactions both at S Group's own stores and elsewhere. The popularity of S-Bank's other services, such as the use of accounts and the online bank, has increased continuously.

Besides figures, equally important is that S Group has received positive feedback from its co-op members. Those members who have chosen S-Bank as their favourite bank have been so satisfied that they have, almost invariably, ranked S-Bank number one in the surveys measuring customer loyalty to banks. This is a clear sign of us being on the right track in the development of the best possible banking services for our members.

Naturally, S-Bank has its own challenges, of which probably the greatest is its visibility. Although the majority of Finnish consumers know S-Bank by name, many of them still don't know all the purposes for which the in-store-bank's services can be used. As for the bank's visibility, we have made progress on a steady basis.

The increased use of services is also reflected in S-Bank's financial performance. S-Bank's operating result for the preceding year (EUR 7.9 million) can be regarded as a good achievement in the extremely challenging market situation. Although S-Bank's first priority, before results, is to support S Group's core business operations, the favourable result development will further strengthen S-Bank's financial standing, enabling the bank to develop its operations.

At present, S-Bank's future looks very bright. All the signs are pointing in the direction that S Group's banking services are a proactive response to the unspoken needs and expectations of its most important customers, the co-op members.

PEKKA YLIHURULA
Managing Director, S-Bank

CO-OP MEMBERS' OWN BANK

WE FINNS ENJOY THE BENEFITS OF COOPERATIVE ACTIVITIES

Unlike many other Finnish companies, the S Group business is based on cooperative activities. During these times characterised by quarter-based thinking, the idea of cooperative activities is no longer as familiar as it used to be a few decades ago. However, most Finns enjoy the benefits of cooperative activities nearly every day.

The idea behind cooperative activities is to make everyday life easier for the members of the co-operative society, while also running a profitable business. The S Group's co-op members, around two million Finns, benefit from these activities in the form of affordable and quality products and services, in addition to benefits paid in cash. All of our services are under constant development.

The S Group's co-op members have also had a bank of their own for over four years. Nearly all co-op members are S-Bank's customers with their own bank accounts and receive benefits that are paid in cash into these accounts. Co-op members use other bank services in accordance with their own needs.

S-Bank offers co-op members of S Group an easy and rewarding way of dealing with their daily payment transactions. Bank transactions can be dealt with either at S Group stores or through online banking. Customers can use their green S-Etukortti card as a versatile means of payment.

S-Bank services are available to all the S Group's co-op members in accordance with the principles for cooperative activities. They are the most important customers of S Group and get the same benefits, such as bank services free of charge.

S-Bank is today a vital part of co-op members' total service package. As S-Bank's customers, co-op members get all benefits available.

WE, THE CO-OP MEMBERS, GET A BENEFIT EVERY TIME WE PAY WITH THE CARD

When we pay with the S-Etukortti card, we get a half a per cent payment method benefit for nearly all the goods bought from S Group stores.

FINANCIAL STATEMENTS

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REPORT OF THE EXECUTIVE BOARD

1.1.–31.12.2011

THE GROWTH OF S-BANK LTD'S DEPOSIT BANKING OPERATIONS continued in 2011, although operations in the banking market were hampered by severe competition and the low interest rates that had remained in effect for an exceptionally long time.

The number of S-Bank service users increased by 133,000 customers in the period under review. At the end of the year, S-Bank had 2,452,000 customers.

The number of S-Etukortti Visa card users grew by 284,000 customers during the year. By the end of the year, 948,000 S-Bank customers were using S-Etukortti Visa cards.

The amount of deposits in S-Bank grew by EUR 21 million. The total funds on deposit amounted to EUR 2,473 million at year-end.

Deposits by private customers in S-Bank increased by EUR 82 million. At year-end, S-Bank had EUR 2,372 million in deposits from private customers. Corporate deposits decreased by EUR 61 million.

The amount of credit granted by S-Bank increased by EUR 12 million. At year-end, the total amount of outstanding credit was EUR 301 million.

The number of S-Bank's banking ID users increased by 133,000 customers. By the end of the year, 1,066,000 customers were using S-Bank's banking IDs.

S-Bank's financial performance for the year was good, although the result decreased from the previous year. S-Bank Group's operating profit amounted to EUR 7.9 million.

S-Bank made only minor changes to its product and service range during the year. Instead of making changes, S-Bank focused on increasing the usage volumes of present products.

As a whole, S-Bank's financial performance was strong in 2011. The increased use of services and the good result provide S-Bank with a solid basis upon which to build and develop its banking operations in the next few years.

FINANCIAL STANDING

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank's financial performance was strong despite the market turmoil in 2011. However, its banking operations were affected by the European debt crisis, instability in financial markets and low interest rates, and operating profit decreased by EUR 4.6 million from the previous year. The final operating profit was EUR 7.9 million (12.5). The profit for the financial year after taxes totalled EUR 7.0 million (12.5)

The decreased operating result decreased S-Bank's cost/income ratio to 0.85 (0.75) from the previous year. Profitability decreased as well, and return on equity was 4.4 per cent (7.7). Return on assets was 0.2 per cent (0.5).

The financial statements drawn up for the financial year 2011 are S-Bank's first consolidated financial statements. The comparison data are presented only for S-Bank Ltd due to the operational nature, minor balance sheet level and acquisition date of the subsidiaries.

Income

Net income decreased year-on-year, totalling EUR 58.7 million (61.2). Net interest income increased from the previous year, thus constituting the most significant item of net income. The final net interest income was EUR 60.0 million (38.3). The development of net interest income can

KEY FINANCIAL INDICATORS (EUR MILLION)	12/2011	12/2010	12/2009
Net interest income	60.0	38.3	35.4
Net fee and commission income	8.9	7.4	4.8
Other income	-10.3	15.4	7.0
Net income (EUR million)	**58.7**	**61.2**	**47.2**
Personnel expenses	-12.1	-8.1	-6.6
Other administrative expenses	-30.6	-31.6	-24.4
Depreciation and impairment losses	-4.1	-3.9	-3.7
Other expenses	-4.0	-5.1	-9.4
Operating profit/loss (EUR million)	**7.9**	**12.5**	**3.1**
Private customer deposits			
Demand deposits	1 702.7	1 968.3	2 082.1
Fixed-term	669.0	321.6	174.3
Corporate deposits	101.4	162.1	201.1
Liabilities to financial institutions	200.0		
Deposits total (EUR million)	**2 673.1**	**2 452.0**	**2 457.6**
Debt securities	2 269.7	2 096.7	2 336.6
Central bank / credit institution receivables	209.7	198.2	151.8
Lending to the public	300.8	299.0	153.9
Receivables total	**2 780.2**	**2 594.5**	**2 642.3**
Cost/income ratio	0.85	0.75	0.79
Return on equity	4.4%	7.7%	2.8%
Return on assets	0.2%	0.5%	0.1%
Equity ratio	5.2%	6.1%	6.0%

be regarded as favourable, considering that interest rates were low. Income in net interest income consisted mainly of investments in money and capital markets. 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 share of net fee and commission income from net income increased by 25.1 per cent (19.8) from the previous year. The share of net fee and commission income from net income was 15.2 per cent (12.2). The net fee and commission income generated through card and consumer credit business, borrowing, and payment transactions totalled EUR 8.9 million (7.4). It showed an increase of 20.0 per cent (55.3) compared to the previous year. Other income totalled EUR -10.3 million (15.4), consisting of net income from financial assets available for sale, net income from securities trading, other operating income, and, as a new item, 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 -6.8 million (10.2). As a result of derivatives recognised at fair value through profit and loss, net income from securities trading decreased to EUR -7.3 million (0.4). Other operating income stood at EUR 3.6 million (4.9), 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 1.6 million. Net income from such investment properties that were acquired during the financial period totalled EUR 0.4 million.

Expenses

Expenses increased moderately during the financial year 2011, showing an increase of 4.4 per cent year-on-year (10.2). Expenses for the period totalled EUR 50.8 million (48.7). The most significant individual expense item was IT and Information Management, totalling EUR 13.8 million (12.5). Other administrative expenses totalled EUR 30.6 million (31.6), including, besides IT and Information Management expenses, other significant items, such as connection costs and commissions paid to S Group cooperatives acting as agents. Comparative figures for other administrative expenses still include S-Asiakaspalvelu's invoicing to S-Bank but these figures for 2011 are mainly reported as part of personnel expenses because of the transfer to consolidated financial statements. Personnel expenses for the period totalled EUR 12.1 million (8.1).

Depreciations for the period amounted to EUR 4.1 million (3.9). Other expenses decreased from the previous year, totalling EUR 4.0 million (5.1). Other operating expenses, totalling EUR 3.3 million (2.2), consisted of leases and rents for office premises, machinery and equipment, vehicle expenses and contribution payments for the Deposit Guarantee Fund.

Good clientele structure as well as efficient credit monitoring and collection measures contributed to the positive development of impairment and credit losses. Net loss recognised for the period totalled EUR 0.7 million (2.9). Recovery of credit losses amounted to EUR 2.8 million (3.0).

Balance sheet

The sum total on the balance sheet was EUR 2,917.6 million (2,687.6) at the end of the financial period. Competition for deposits was fierce in the banking market but S-Bank's market share remained unchanged in deposits by private customers. Customers continued to favour current fixed-term deposits over demand accounts. At year-end, the amount of demand deposits totalled EUR 1,702.7 million (1,968.3), and the amount of fixed-term deposits totalled EUR 669.0 million (321.6). At year-end, the amount of corporate deposits totalled EUR 101.4 million. Compared to the end of the previous year, the amount of corporate deposits decreased by EUR 60.6 million.

Equity totalled EUR 151.2 million (162.9) at the end of the financial period. Equity decreased despite the positive financial result as the fair value reserve decreased. The fair value reserve was EUR -16.3 million (3.6) at the end of the financial period.

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 amounted to a total of EUR 2,269.7 million (2,096.7), of which the debt securities eligible for refinancing with central banks accounted for EUR 1,840.3 million (1,774.3). All debt securities were categorised as available-for-sale financial assets. Credit card and consumer credit receivables as well as account and working capital credit facilities remained at the previous year's level, totalling EUR 300.8 million (299.0). Receivables from the central bank and credit institutions totalled EUR 209.7 million (198.2).

As a result of the decrease in equity and increase in the balance sheet, S-Bank's equity ratio decreased to 5.2 per cent (6.1).

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 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.

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

S-Bank does not disclose information 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 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 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 spec-

ified 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 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 2011.

In respect of credit risk, S-Bank estimates its risk profile to be such that the risk-based capital requirement under Pillar II corresponds to the capital requirement under Pillar I. The same applies to operational risks, as the net income-based capital requirement for operational risks increases with the increase in operations.

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 Executive Board provides the owners with a proposal of how to increase the bank's own funds.

OWN FUNDS (EUR MILLION)	**12/2011**		**12/2010**
	Group	Bank	Bank
Tier I own funds without deduction items	**167.5**	**167.3**	**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		2.5	2.4
Retained earnings			
Profits/losses from previous periods	1.4	-1.1	-13.4
Profit/loss for the financial period	7.0	6.8	12.4
Deduction items			
Intangible assets	12.8	12.7	12.6
Tier I own funds total	**154.7**	**154.6**	**147.9**
Tier II own funds	**-1.6**	**-1.6**	**23.5**
Fair value reserve	-21.6	-21.6	3.5
Debentures	20.0	20.0	20.0
Own funds total	**153.1**	**153.0**	**171.5**
Capital adequacy ratio	**16.3%**	**16.3%**	**20.8%**
Capital adequacy ratio for Tier I own funds	**16.5%**	**16.5%**	**17.9%**

The Group's capital adequacy ratio fell during the financial period due to an increase in the balance sheet and a decrease in the bank's own funds. The increase in the balance sheet increased risk-weighted receivables and the related minimum requirement for the bank's own funds in credit risks. The growth most affected the receivables from companies that receive a higher risk weighting in the calculation of minimum capital adequacy but are less volatile than credit institution receivables in unstable market conditions. The final capital adequacy ratio was 16.3 per cent (20.8). At the end of the financial year, the Group's own funds totalled EUR 153.1 million (171.5), whereas the minimum requirement for own funds was EUR 75.1 million (66.1). These own funds were most significantly tied by the credit risk capital adequacy requirement and its items, such as "Receivables from credit institutions and investment firms","Receivables from companies" and "Retail receivables". 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)	**12/2011**		**12/2010**	
Minimum capital adequacy requirement for credit risk	**Exposure value**	**Own funds**	**Exposure value**	**Own funds**
Receivables from governments and central banks	252.0	0.1	327.4	0.2
Receivables from regional administration and local authorities	9.7	0.0	16.2	0.0
Receivables from public sector entities and institutions under public law	0.0	0.0	0.0	0.0
Receivables from international development banks	5.2	0.0	5.2	0.0
Receivables from credit institutions and investment firms*	1 754.7	30.1	1 627.5	28.0
Receivables from companies	188.8	14.2	145.9	10.8
Retail receivables	198.1	11.9	205.9	12.4
Receivables with real estate securities	3.1	0.1	3.8	0.1
Overdue receivables	9.7	1.2	8.3	1.0
Covered bonds	259.0	2.2	262.8	2.1
Investments in investment funds	74.0	5.9	56.2	4.5
Other items	36.5	1.8	16.4	0.2
Off-balance sheet commitments	584.2	1.5	560.6	2.7
Total	**3 375.1**	**69.0**	**3 236.3**	**61.9**
Minimum capital adequacy requirement for credit risk, total		**69.0**		**61.9**
Minimum capital adequacy requirement for market risk		Noth. to report		Noth. to report
Minimum capital adequacy requirement for operational risks		**6.1**		**4.2**
Minimum amount of own funds, total		**75.1**		**66.1**

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

OPERATION 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 4.7 million (4.0), of which EUR 3.1 million (2.6) 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 85 employees (78) on the payroll at the end of the year. S-Asiakaspalvelu's operating profit was EUR 0.0 million (0).

PROPERTY COMPANIES

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 14 March 2011. The meeting adopted the financial statements for 2010 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

The 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 the applicable legislation and regulations.

The Executive Board shall manage the bank in a professional manner in compliance with healthy and good banking practices. The Board meets at least eight (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, SOK Finance and Administration; Folke Lindström, Commercial Counsellor; Matti Niemi, 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 Executive Board convened 14 (13) times during the financial year, and the average rate of attendance was 92.9 per cent (91.0). 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

The number of S-Bank Group personnel grew by 31 persons from the previous year. At the end of the year, the Group employed a total of 245 persons (214). Of personnel, 160 persons (136) work for S-Bank and 85 (78) for S-Asiakaspalvelu Oy. The salaries and fees paid to personnel amounted to EUR 9.8 million (6.6).

S Group's 21 cooperative enterprises operate as S-Bank's agents. In 2011, training of S-Bank's agents was arranged in accordance with an approved training programme. 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 2011 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 2011, S-Bank paid EUR 6.7 million in salaries and EUR 0.5 million in fees. In 2011, S-Asiakaspalvelu paid EUR 2.4 million in salaries and EUR 0.1 million 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 1.4 million in salaries and EUR 16,400 in fees in 2011. A total of 22 persons 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 a 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 2012

There is no rapid solution to the European debt crisis and unstable financing market. The competition in the banking market is expected to become fiercer due to future regulation reforms. The general development in the banking market will also affect S-Bank's operations. In 2012, the consolidated result is expected to remain at the same level as in 2011.

EXECUTIVE BOARD'S PROPOSAL FOR THE DISPOSAL OF DISTRIBUTABLE FUNDS

The Executive Board proposes that the profit for the financial year, EUR 6,800,480.06, 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 income from investment property + Other operating income

Other expenses:

Other operating expenses + Impairment losses from credits and other receivables

Cost/income ratio:

$$\frac{\text{Administrative expenses + Depreciation and impairment losses on tangible and intangible assets + Other operating expenses (excluding impairment losses)}}{\text{Net interest income + Income from equity investments + Net fee and commission income + Net income from securities trading and currency operations + Net income from available-for-sale financial assets + Net result from hedge accounting + Net income from investment properties + Other operating income + Share of equity earnings in associated companies (net)}}$$

Return on equity (ROE), %

$$\frac{\text{Operating profit/loss – Income taxes}}{\text{Equity and minority interest + Accumulated appropriations less deferred tax liability (the average for the beginning and end of year)}} \text{ x } 100$$

Return on assets (ROA), %

$$\frac{\text{Operating profit/loss – Income taxes}}{\text{Balance sheet sum total on average (the average for the beginning and end of year)}} \text{ x } 100$$

Equity ratio, %

$$\frac{\text{Equity and minority interest + Accumulated appropriations less deferred tax liability}}{\text{Balance sheet sum total}} \text{ x } 100$$

Capital adequacy ratio, %

$$\frac{\text{Own funds total}}{\text{Minimum requirement for own funds, total}} \text{ x } 8\%$$

Capital adequacy ratio for Tier I own funds, %

$$\frac{\text{Tier I own funds total}}{\text{Minimum requirement for own funds, total}} \text{ x } 8\%$$

CONSOLIDATED BALANCE SHEET

ASSETS, 1000 €	Note	31.12.2011	31.12.2010
Cash	17, 18, 23	6 785	7 118
Debt securities eligible for refinancing with central banks			
Other	3, 17, 18, 23	1 840 269	1 774 268
Receivables from credit institutions	1, 17	203 018	191 583
Repayable on demand		512	1 043
Other		202 506	190 540
Receivables from the public and public sector entities	2, 17, 18, 23	300 823	299 047
Repayable on demand		9 716	9 141
Other		291 106	289 907
Debt securities	3, 17, 18, 23		
Other		429 435	322 473
Shares and participations	5, 18, 23	74 031	56 248
Shares and participations in associated companies	5, 23	1	3
Shares and participations in companies belonging to the same Group			50
Derivative contracts	6, 18, 23	511	604
Intangible assets	7, 9, 18	12 780	12 579
Tangible assets	8, 9, 18	14 346	0
Other assets	10	3 963	3 077
Accrued income and prepayments	11	26 377	20 531
Deferred tax assets	12	5 304	0
ASSETS, TOTAL		**2 917 641**	**2 687 582**

LIABILITIES, 1000 €	Note	31.12.2011	31.12.2010
LIABILITIES			
Liabilities to credit institutions	17, 18, 23	200 000	0
To central banks		200 000	0
Liabilities to the public and public sector entities	17, 18, 23	2 508 123	2 481 641
Deposits		2 472 610	2 452 022
Repayable on demand		1 803 635	2 130 385
Other		668 975	321 637
Other liabilities		35 513	29 619
Repayable on demand		31 628	26 334
Other		3 885	3 285
Derivatives and other liabilities held for trading	6, 18, 23	7 811	669
Other liabilities			
Other liabilities	14, 18	13 328	11 392
Accruals, deferred income and advances received	15	15 381	7 751
Subordinated liabilities			
Capital loans	16, 17, 23	20 000	20 000
Deferred tax liabilities	12	1 840	0
LIABILITIES TOTAL		2 766 485	2 521 454
ACCUMULATED APPROPRIATIONS (*			**3 249**
EQUITY			
Share capital	24	33 540	33 540
Share premium reserve	24	21 180	21 180
Other restricted reserves			
Fair value reserve			
On measurement at fair value	24	-16 345	4 794
Non-restricted reserves			
Invested non-restricted equity reserve	24	104 448	104 448
Profit (loss) from previous financial periods	24	1 381	-13 435
Profit (loss) for the financial period	24	6 953	12 351
EQUITY, TOTAL	24	151 157	162 879
LIABILITIES, TOTAL		**2 917 641**	**2 687 582**

* Comparison data given only for S-Bank Ltd

OFF-BALANCE SHEET COMMITMENTS			
Commitments given on behalf of a customer	43		
Irrevocable		36 259	66 390
Other		547 982	494 205

CONSOLIDATED INCOME STATEMENT

1000 €	Note	31.12.2011	31.12.2010
Interest income	25	84 630	59 667
Interest expenses	25	-24 581	-21 328
NET INTEREST INCOME		**60 049**	**38 339**
Fee and commission income	28	10 981	9 407
Fee and commission expenses	28	-2 047	-1 965
Net income from securities trading and currency operations			
Net income from securities trading	29	-7 347	408
Net income from available-for-sale financial assets	30	-6 843	10 166
Net income from investment property	32	354	0
Other operating income	33	3 557	4 852
Administrative expenses		-42 671	-39 671
Personnel expenses			
Salaries, wages and remuneration		-9 834	-6 600
Indirect personnel expenses			
Pension expenses		-1 696	-1 149
Other indirect personnel expenses		-528	-335
Other administrative expenses		-30 612	-31 586
Depreciation, amortisation and impairment losses on tangible and intangible assets	35	-4 148	-3 887
Other operating expenses		-3 280	-2 158
Impairment losses on loans and other receivables	36	-713	-2 949
Share of equity earnings in associated companies		-3	
OPERATING PROFIT (LOSS)		**7 891**	**12 543**
Appropriations (*			**-192**
Income taxes		**-938**	**0**
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**6 953**	**12 351**

* Comparison data given only for S-Bank Ltd

CONSOLIDATED CASH FLOW STATEMENT

1000 €	1.1.–31.12.2011
CASH FLOW FROM OPERATIONS	
Interest, fee and commission income	86 248
Interest, fee and commission expenses	-20 462
Payments received on loans recorded as credit losses	305
Other income	-613
Payments to suppliers of goods and services, and personnel	-46 166
	19 312
Increase (-) or decrease (+) in operating assets:	
Current assets	-4 778
Net increase in credit card and overdraft receivables	-2 527
Increase (+) or decrease (-) in operating liabilities:	
Deposits from customers	20 588
Current liabilities	207 059
Net cash provided by (used in) operating activities before income taxes	239 655
Income taxes	0
Net cash from operations	**239 655**
CASH FLOW FROM INVESTMENT ACTIVITIES	
Purchase of intangible/tangible assets	-4 235
Acquisition of subsidiaries	-3 229
Net cash provided by (used in) investment activities	**-7 464**
CASH FLOW FROM FINANCING ACTIVITIES	
Increase in equity	0
Repayment of loan receivables	-10 111
Net cash provided by (used in) financing activities	**-10 111**
Net increase in cash and cash equivalents	222 080
Cash and cash equivalents at the beginning of the financial period	2 353 792
Cash and cash equivalents at the end of the financial period	2 575 871

* the consolidated cash flow statement is drawn up for the first time for the financial period ending on 31 December 2012

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 offices.

On 14 February 2012, the Executive Board approved the financial statements for the period 1 January–31 December 2011.

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 acquired during the financial year have been consolidated from the date of acquisition. The associated company S-Crosskey has been consolidated using the equity method.

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

Owing to the operational nature, minor balance sheet level and acquisition date of the subsidiaries, the comparison data has been presented only for S-Bank Ltd.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The financial statements are presented in euros. S-Bank and its subsidiaries have no items denominated in foreign currencies.

FINANCIAL ASSETS AND LIABILITIES

S-Bank Group applies a settlement-date practice when recognising financial assets and liabilities on 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 interest rate swaps are determined by discounting future cash flows to the present value, applying market interest rates on the balance sheet date. Bonds and notes 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 traded actively and have been acquired for short-term gain. Derivative contracts to which hedge accounting has not been applied are also included. Derivative contracts are taken out primarily for hedging, but hedge accounting is not applied to them.

Financial assets or liabilities at fair value through profit and loss are measured at 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.

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 change in the fair value accrued to 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 the 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.

Should there be objective evidence of the impairment of debt securities or shares included in available-for-sale financial assets, the cumulative loss directly recognised in equity is removed from equity and recognised in the income statement as an impairment loss. An 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 subsequently increases, the increase in value is recognised in equity.

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 acquired 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. In addition, S-Bank has itself issued two debenture loans with similar terms. 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 current taxes 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. 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 ongoing operations in accordance with the risk management principles and methods set out in the policy. The Managing Director is responsible for ensuring that the responsibilities and authorisations set out in the organisational structure are 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 from business operations. According to the tasks defined in the risk management policy, it maintains, develops and prepares risk management principles, as well as formulates risk measurement, assessment and reporting methods for the Credit and Risk Management Committee, and the Executive Board. Furthermore, the risk monitoring function oversees the observance of risk management principles and limits and reports on risks to the management, the Credit and Risk Monitoring Committee, the Executive Board and the authorities. The risk monitoring function also supports the business areas in 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 risk management divides risks into three main categories as follows: strategic and business risks, financing risks and operational risks.

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

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

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

“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.

BUSINESS RISKS

Business risks and the associated reputation risks and risks of changes in the 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, business risks are managed by 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.

FINANCING 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 management

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, and the management.

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 markedly 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. If customers fail to meet their obligations according to the agreed schedule, the credit control will initiate payment reminder and collection measures.

Receivables matured on 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 7.9 million (7.1). All the impairment losses were group-specific. For the investment business, S-Bank posted a total of EUR 2.0 million in impairment losses from the receivables of Italian and Spanish counterparties during the financing period. 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 notified. If it is not available, the credit rating of Moody's Investors Service or, if there is not one, the Fitch Ratings credit rating will be used.

The ratings of the above-mentioned credit rating institutions are used 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. These items are reviewed when purchasing financial instruments and subsequently, when necessary, if there is any indication of changes in the credit rating.

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, credit derivative instruments included in the trading book, 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 0.4 million (0.7). Credit risk mitigation techniques, such as guarantees, credit derivatives, financing securities and netting contracts, 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 adequacy requirement for credit risk.

S-Bank's risk exposure in 2011

At the end of the financial period, the maximum amount of S-Bank's exposure was EUR 3,375.1 million (3,235.6), including off-balance sheet commitments. The most significant item was receivables from credit institutions and investment firms, totalling EUR 1,754.7 million (1,626.7). Covered bonds totalled EUR 259.0 million (262.8), and Receivables from states and central banks totalled EUR 252.0 million (327.4). Retail receivables decreased slightly, totalling EUR 198.1 million (205.9). However, Receivables from companies increased, totalling EUR 188.8 million (145.9). Investments in investment funds totalled EUR 74.0 million (56.2). Furthermore, S-Bank had receivables from regional administration, amounting to EUR 9.7 million (16.2), and from international development banks, totalling EUR 5.2 million (5.2). Receivables due constituted an item of EUR 9.7 million (8.3), while receivables with real estate securities constituted an item of EUR 3.1 million (3.8). Other items totalled EUR 36.5 million (16.4). Off-balance sheet items amounted to EUR 584.2 million (560.6).

When analysed by risk weighting, S-Bank's exposure fell predominantly into the 20 per cent risk weight category, where S-Bank mainly recorded receivables from other credit institutions. In the category with a risk weighting of 100 per cent, the bank primarily recorded receivables from companies and investments in investment funds, whereas the zero per cent category consisted of receivables from central banks, credit institutions' bonds guaranteed by governments, receivables from international development banks and off-balance sheet items. Covered bonds constituted an item of 10 per cent and retail receivables an item of 75 per cent. Receivables with real estate securities were mainly recorded in the 35 per cent item. Receivables from credit institutions in the countries included in category 2 or receivables from companies with a rating of at least A were recorded in the 50 per cent item. Receivables due were recorded in the 150 per cent item.

EXPOSURES (EUR MILLION)	TOTAL AMOUNT OF EXPOSURES		AVERAGE VALUE OF EXPOSURES IN THE FINANCIAL PERIOD	
	2011	**2010**	**2011**	**2010**
Receivables from government and central banks	252.0	327.4	289.7	291.5
Receivables from regional administration	9.7	16.2	12.9	15.1
Receivables from public sector entities and institutions under public law	0.0	0.0	0.0	0.0
Receivables from international development banks	5.2	5.2	5.2	7.7
Receivables from credit institutions and investment firms	1 754.7	1 626.7	1 690.7	1 755.2
Receivables from companies	188.8	145.9	167.4	138.9
Retail receivables	198.1	205.9	202.0	137.3
Receivables with real estate securities	3.1	3.8	3.5	1.9
Overdue receivables	9.7	8.3	9.0	7.6
Covered bonds	259.0	262.8	260.9	269.5
Investments in investment funds	74.0	56.2	65.1	32.4
Other items	36.5	16.4	26.4	18.2
Off-balance sheet items	584.2	560.6	572.4	492.5
Total	**3375.1**	**3235.6**	**3305.4**	**3167.9**

RECEIVABLES BY RISK WEIGHTING (EUR MILLION)	Exposure value	
Risk weight	**2011**	**2010**
0%	810.7	836.4
10%	240.6	266.7
20%	1725.3	1 571.9
35%	3.0	3.7
50%	80.9	89.1
75%	199.9	207.1
100%	305.1	252.3
150%	9.7	8.3
	3375.1	**3235.6**

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
Receivables from government and central banks	201.8	2.0	48.2	0.0	0.0	252.0
Receivables from regional administration	0.1	0.0	9.6	0.0	0.0	9.7
Receivables from public sector entities and institutions under public law	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from international development banks	0.0	0.0	5.2	0.0	0.0	5.2
Receivables from credit institutions and investment firms	87.4	259.4	1 407.9	0.0	0.0	1 754.7
Receivables from companies	58.8	26.7	98.8	4.4	0.0	188.8
Retail receivables	12.6	26.8	94.1	62.71	1.94	198.1
Receivables with real estate securities	0.0	0.0	1.3	1.1	0.7	3.1
Overdue receivables	9.7	0.0	0.0	0.0	0.0	9.7
Covered bonds	0.0	9.8	249.2	0.0	0.0	259.0
Investments in investment funds	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**

MATURITY DISTRIBUTION OF RECEIVABLES (EUR MILLION) FOR 2010	Less than 3 mos.	3–12 mos.	1–5 yrs	5–10 yrs.	More than 10 yrs.	Total
Receivables from government and central banks	197.2	20.9	109.3	0.0	0.0	327.4
Receivables from regional administration	9.1	0.0	7.1	0.0	0.0	16.2
Receivables from public sector entities and institutions under public law	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from international development banks	0.0	0.0	5.2	0.0	0.0	5.2
Receivables from credit institutions and investment firms	30.6	128.5	1 460.7	6.9	0.0	1 626.7
Receivables from companies	47.8	31.0	67.1	0.0	0.0	145.9
Retail receivables	10.1	21.3	84.1	90.46	0.0	205.9
Receivables with real estate securities	0.0	0.0	1.0	2.8	0.0	3.8
Overdue receivables	8.3	0.0	0.0	0.0	0.0	8.3
Covered bonds	27.0	76.0	159.8	0.0	0.0	262.8
Investments in investment funds	0.0	0.0	56.2	0.0	0.0	56.2
Other items	5.7	10.6	0.0	0.0	0.1	16.4
Off-balance sheet items	494.2	0.0	59.4	7.0	0.0	560.6
TOTAL	**830.1**	**288.5**	**2 009.8**	**107.2**	**0.1**	**3 235.6**

OVERDUE RECEIVABLES (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	2.0	0.8	8.9	-7.9	**3.8**

OVERDUE RECEIVABLES (EUR MILLION) FOR 2010	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	1.7	0.8	8.3	-7.1	**3.7**

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, which does prevent the concentration of risk exposures.

GEOGRAPHIC DISTRIBUTION OF EXPOSURES (EUR MILLION) FOR 2011	Finland	Nordic countries	Other EU member states	Other countries
Receivables from government and central banks	201.8	0.0	50.2	0.0
Receivables from regional administration	5.2	0.0	4.5	0.0
Receivables from public sector entities and institutions under public law	0.0	0.0	0.0	0.0
Receivables from international development banks	0.0	0.0	0.0	5.2
Receivables from credit institutions and investment firms	191.9	431.8	913.1	217.9
Receivables from companies	170.3	10.9	7.7	0.0
Retail receivables	198.1	0.0	0.0	0.00
Receivables with real estate securities	3.1	0.0	0.0	0.0
Overdue receivables	9.7	0.0	0.0	0.0
Covered bonds	46.5	68.1	144.5	0.0
Investments in investment funds	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 receivables from international development banks.

GEOGRAPHIC DISTRIBUTION OF EXPOSURES (EUR MILLION) FOR 2010	Finland	Nordic countries	Other EU member states	Other countries
Receivables from government and central banks	208.2	0.0	119.2	0.0
Receivables from regional administration	14.1	0.0	2.0	0.0
Receivables from international development banks	0.0	0.0	0.0	5.2
Receivables from credit institutions and investment firms	97.7	439.5	903.8	185.8
Receivables from companies	129.6	9.1	7.2	0.0
Retail receivables	205.9	0.0	0.0	0.00
Receivables with real estate securities	3.8	0.0	0.0	0.0
Overdue receivables	8.3	0.0	0.0	0.0
Covered bonds	87.5	108.7	63.5	3.0
Investments in investment funds	35.8	0.0	20.4	0.0
Other items	16.4	0.0	0.0	0.0
Off-balance sheet items	560.6	0.0	0.0	0.0
TOTAL	**1 368.1**	**557.3**	**1 116.1**	**194.0**

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

In terms of branch categories, the majority of exposures fell in counterparts engaging in financing activities. The entry "Breakdown of exposures by branch of business" in the table includes receivables from credit institutions and investment firms, receivables from companies, and covered bonds.

BREAKDOWN OF EXPOSURES BY BRANCH OF BUSINESS (EUR MILLION)	2011	2010
Financial and insurance activities	2 354.3	2 148.6
Wholesale and retail trade	67.1	58.5
Real estate activities	43.6	24.7
Electricity, gas and water supply, cooling business	13.4	19.4
Manufacturing	32.5	18.1
Mining and quarrying	4.5	0.0
Construction	0.1	0.2
Information and communication	12.0	23.9
Public administration and defence; compulsory social security	44.4	146.4
Other	5.0	0.6
No branch category*	798.1	795.1
Total	**3 375.1**	**3 235.6**

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

Banking book interest rate risk

The purpose of banking book risk management at S-Bank is to manage unexpected changes in the bank's net interest income and maximise return on equity within the specified limits. In accordance with the confirmed risk management policy, interest rate risk in the banking book is monitored monthly by means of interest rate gap analysis, in which liabilities and receivables are grouped into time periods on the basis of their interest rate maturities. The effects of 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.

INTEREST-BEARING FINANCIAL ASSETS AND LIABILITIES (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*	532.7	884.8	31.2	10.0	10.3	147.1	666.3	4.5	2 286.9
Receivables total	**932.2**	**977.2**	**37.8**	**16.5**	**10.3**	**147.1**	**671.9**	**4.5**	**2 797.5**
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	-2 508.7
Subordinated liabilities	-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	**-1 240.1**	**846.9**	**-63.7**	**-119.1**	**-119.0**	**94.8**	**665.2**	**4.5**	**69.4**

*) Reported at nominal value.

INTEREST-BEARING FINANCIAL ASSETS AND LIABILITIES (EUR MILLION) FOR 2010

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	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.1
Receivables from credit institutions	191.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	191.6
Receivables from the public and public sector entities	159.2	109.2	15.1	6.5	2.0	0.0	7.0	0.0	299.0
Debt securities*	443.9	777.5	101.8	69.7	33.0	272.8	389.9	0.0	2 088.6
Receivables total	**801.9**	**886.8**	**116.9**	**76.2**	**35.0**	**272.8**	**396.9**	**0.0**	**2 586.4**
Liabilities to the public and public sector entities	-2 219.9	-35.0	-29.3	-31.7	-55.7	-97.8	-12.3	0.0	-2 481.6
Subordinated liabilities	-15.0	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0
Liabilities total	**-2 234.9**	**-40.0**	**-29.3**	**-31.7**	**-55.7**	**-97.8**	**-12.3**	**0.0**	**-2 501.6**
Receivables and liabilities total	**-1 433.0**	**846.8**	**87.6**	**44.5**	**-20.7**	**175.0**	**384.6**	**0.0**	**84.8**

*) Reported at nominal value.

S-Bank uses derivative instruments as part of its risk management. During the financial year 2011, the bank entered into interest rate swaps and futures and forwards contracts as part of its balance sheet management. The counterparts were specifically selected banks. S-Bank does not apply hedge accounting.

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	
Written	3.5	5.4	

NOMINAL VALUES OF DERIVATIVE LIABILITIES IN ACCORDANCE WITH THE REMAINING MATURITY DISTRIBUTION (EUR MILLION) 31 DEC 2010	Less than 1 year	1–5 yrs.	More than 5 yrs.
Interest rate derivatives			
Futures and forwards	105		
Interest rate swaps	14.0	146.5	
Equity derivatives			
Option agreements			
Bought		3.5	
Written		3.5	

DERIVATIVE INSTRUMENTS 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	
Written	8.9		0.0

DERIVATIVE INSTRUMENTS 31 DEC 2010 NOT FOR HEDGING PURPOSES (EUR MILLION)	Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Futures and forwards	105	0.1	
Interest rate swaps	160.5	0.5	-0.7
Equity derivatives			
Option agreements			
Bought	3.5	0.1	
Written	3.5		-0.1

Liquidity risks

The objective of liquidity risk management is to ensure that the bank's net cashflows are 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 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**

* Receivables due 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 2010

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	**7,1**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**7,1**
Receivables from credit institutions	191,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	191,6
Receivables from the public and public sector entities*	53,0	2,7	19,9	14,1	10,6	28,1	77,8	92,9	299,0
Debt securities	47,0	23,1	88,6	91,0	47,7	811,5	980,9	6,9	2 096,7
Receivables total	**298,7**	**25,7**	**108,5**	**105,2**	**58,3**	**839,6**	**1 058,7**	**99,8**	**2 594,5**
Liabilities to the public and public sector entities**	-2 219,9	-35,0	-29,3	-31,7	-55,7	-97,8	-12,3	0,0	-2 481,6
Subordinated liabilities								-20,0	-20,0
Liabilities total	-2 219,9	-35,0	-29,3	-31,7	-55,7	-97,8	-12,3	-20,0	-2 501,6
Liabilities total	**-2 344,5**	**-38,2**	**-38,0**	**-19,5**	**-14,1**	**-21,4**	**-11,8**	**-20,0**	**-2 507,6**
Receivables and liabilities total	**-1 921,2**	**-9,2**	**79,2**	**73,5**	**2,6**	**741,8**	**1 046,3**	**79,8**	**92,8**

* Receivables due 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 four key operational risk management elements for identifying, estimating, measuring, managing, tracking and monitoring operational risks arising from the bank's operations.

- operational planning
- acceptance procedure for new products and services
- change process for processes and 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 2011.

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. In 2011, the bank entered into more than sixty non-customer agreements, drafted by the bank's legal affairs staff for the bank. Besides court proceedings related to the collection of receivables from customers, the bank was not a party in any other court proceedings in 2011.

Agreements are archived in electronic and physical form. 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.

INVESTMENTS IN NON-LISTED COMPANIES

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

NOTES TO BALANCE SHEET ITEMS, CONSOLIDATED CORPORATION, 1000 €

	31.12.2011		
1. Receivables from credit institutions	**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**

	31.12.2010		
	Repayable on demand	**Other than repayable on demand**	**Total**
From the central bank	0	190 000	190 000
From Finnish credit institutions	777	0	777
From foreign credit institutions	265	540	805
Receivables from credit institutions, total	**1 043**	**190 540**	**191 583**

2. Receivables from the public and public sector entities	**31.12.2011**	**31.12.2010**
Companies and housing associations	95 802	87 452
Financial and insurance institutions	2 028	528
Public sector entities	110	101
Households	202 765	210 857
Non-profit organisations serving households	101	100
Foreign countries	16	9
Total	**300 823**	**299 047**
There are no allocated credit loss provisions.		
Impairment losses at beginning of year	**7 089**	**4 644**
Group-specific impairment losses recorded in the period	7 912	7 089
Group-specific impairment losses reversed in the period	-7 089	-4 644
Impairment losses at end of year	**7 912**	**7 089**

3. Debt securities

	31.12.2011	31.12.2010
	Other	**Other**
Available-for-sale	**2 269 704**	**2 096 741**
Treasury bonds and notes	38 814	78 147
Other bonds and notes issued by public sector entities	5 532	16 070
Other debt securities	2 225 359	2 002 523
Debt securities, total	**2 269 704**	**2 096 741**
– eligible for refinancing with central banks	1 840 269	1 774 268
– subordinated	6 935	6 901

4. Assets leased under finance leases

Nothing to report

5. Shares and participations

		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	10 056		

		31.12.2010	
Shares and participations	**Publicly quoted**	**Other**	**Total**
Available-for-sale	45 310	10 937	56 248
Shares and participations in associated companies	0	3	3
Total	**45 310**	**10 940**	**56 251**
- of which in credit institutions	3 012		

6. Derivative contracts	31.12.2011 Nominal value	Positive fair value	Negative fair value
Non-hedging purposes			
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
Written	8 893	0	-7

Of the nominal value of derivatives, EUR 149,580,000 mature in less than 1 year and EUR 406,732,000 in 1–5 years.

	31.12.2010		
Non-hedging purposes	**Nominal value**	**Positive fair value**	**Negative fair value**
Interest rate derivatives			
Futures and forwards	105 000	62	0
Interest rate swaps	160 500	531	-669
Equity derivatives			
Option agreements			
Bought	3 540	53	0
Written	3 540	0	-53

Of the nominal value of derivatives, EUR 119,000,000 mature in less than 1 year and EUR 153,580,000 in 1–5 years.

7. Intangible assets	31.12.2011	31.12.2010
Capitalised IT expenditure	12 266	11 385
Other intangible assets	514	1,194
Total	**12 780**	**12 579**

8. Tangible assets	31.12.2011	31.12.2010
Investment properties, held for investment purposes		
Land and water areas	792	0
Buildings	13 554	0
	14 346	**0**

9. Changes in intangible and tangible assets during the financial year (*	31.12.2011	31.12.2010
Prepayments for intangible assets		
Acquisition cost; 1 Jan	3 757	1 988
Increase	4 227	3 147
Transfers between items	-281	-1 378
Acquisition cost; 31 Dec	7 703	3 757
Carrying amount; 31 Dec	7 703	3 757
Intangible assets		
Acquisition cost; 1 Jan	21 734	20 218
Increase	4	11
Deductions		
Transfers between items	281	1 378
Acquisition cost; 31 Dec	22 019	21 608
Accumulated depreciation, amortisation and impairment, 1 Jan	-12 794	-8 899
During the period	-4 148	-3 887
Accumulated depreciation and amortisation; 31 Dec	-16 942	-12 786
Carrying amount; 31 Dec	5 077	8 822
Intangible assets, total, 31 Dec	**12 780**	**12 579**

* Comparison data given only for S-Bank Ltd

Other tangible assets		
Acquisition cost; 1 Jan	11 236	0
Increase	4,065	0
Acquisition cost; 31 Dec	15 301	0
Accumulated depreciation, amortisation and impairment, 1 Jan	-315	0
During the period	-640	0
Accumulated depreciation and amortisation; 31 Dec	-955	0
Carrying amount; 31 Dec	14 346	0
Tangible assets, total, 31 Dec	**14 346**	**0**

* Comparison data given only for S-Bank Ltd

10. Other assets	31.12.2011	31.12.2010
Other	3 963	3 077
Total	**3 963**	**3 077**

11. Accrued income and prepayments	31.12.2011	31.12.2010
Interest income	20 860	19 299
Other accrued income	5 517	1 232
Total	**26 377**	**20 531**

12. Deferred tax assets and liabilities	31.12.2011	31.12.2010
Deferred tax assets attributable to losses	0	
Deferred tax assets / liabilities arising from the fair value reserve	5 304	1 118
Deferred tax liability from appropriations	1 161	-1 247
Deferred tax liability from consolidation measures	679	845

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

Nothing to report

14. Other liabilities	31.12.2011	31.12.2010
Payables arising from payment transactions	9 282	7 435
Other	4 047	3 957
Other liabilities, total	**13 328**	**11 392**

15. Accruals, deferred income and advances received	31.12.2011	31.12.2010
Interest expenses	10 792	4 468
Other accrued expenses	4 590	3 283
Total	**15 381**	**7 751**

	31.12.2011			
16. Subordinated liabilities	**Carrying amount ***	**Nominal value**	**Interest**	**Maturity date**
Loan on debenture terms I/2008	15 065	15 000	Euribor 3 month + 0.5%	1/15/18
Loan on debenture terms II/2008	5 005	5 000	Euribor 3 month + 0.75%	9/15/18

*) 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	31.12.2011 Less than 3 mos.	3–12 mos.	1–5 yrs.	5–10 yrs.	Total
Cash	6 785	0	0	0	6 785
Debt securities eligible for refinancing with central banks	25 422	223 902	1 590 945	0	1 840 269
Receivables from credit institutions	203 018	0	0	0	203 018
Receivables from the public and public sector entities	74 019	36 242	124 111	66 451	300 823
Debt securities	61 906	54 734	301 418	11 378	429 435
Liabilities to credit institutions	0	0	200 000	0	200 000
Liabilities to the public and public sector entities	2 082 698	366 382	59 043	0	2 508 123
Subordinated liabilities	0	0	0	20 000	20 000

	31.12.2010 Less than 3 mos.	3–12 mos.	1–5 yrs.	5–10 yrs.	Total
Cash	7 118	0	0	0	7 118
Debt securities eligible for refinancing with central banks	43 079	221 251	1 509 938	0	1 774 268
Receivables from credit institutions	191 583	0	0	0	191 583
Receivables from the public and public sector entities	52 732	45 244	107 767	93 305	299 047
Debt securities	27 007	6 176	282 389	6 901	322 473
Liabilities to the public and public sector entities	2 254 822	116 687	110 132	0	2 481 641
Subordinated liabilities	0	0	0	20 000	20 000

18. Breakdown of balance sheet items into domestic amounts and where counterparty is a group entity	**31.12.2011**		**31.12.2010**	
	Domestic currency	**From group entities**	**Domestic currency**	**From group entities**
Balance sheet item				
Cash	6 785	0	7 118	
Receivables from credit institutions	203 018	534	191 583	
Receivables from the public and public sector entities	300 823	9 870	299 047	
Debt securities	2 269 704	0	2 096 741	
Derivative contracts	511	0	604	
Shares and participations	74 031	3 885	56 301	50
Intangible assets	12 780	0	12 579	
Tangible assets	14 346	3 452	0	
Other assets	35 645	414	23 609	8
Total	**2 917 641**	**18 155**	**2 687 582**	**58**
Liabilities to credit institutions	200 000			
Liabilities to the public and public sector entities	2 508 123	10 405	2 481 641	370
Derivative contracts	7 811		669	
Other liabilities	50 550	414	39 144	25
Total	**2 766 485**	**10 818**	**2 521 454**	**395**

The balance sheet items contain no items in foreign currencies

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 2011 and 2010 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

23. Fair values and carrying amounts of financial assets and liabilities	31.12.2011 Carrying amount	31.12.2011 Fair value	31.12.2010 Carrying amount	31.12.2010 Fair value
Financial assets				
Cash	6 785	6 785	7 118	7 118
Receivables from credit institutions	203 018	203 015	191 583	191 583
Receivables from the public and public sector entities	300 823	302 393	299 047	300 660
Debt securities*	2 269 704	2 269 704	2 096 741	2 096 741
Shares and participations	74 031	73 951	56 248	56 247
Shares and participations in associated companies	1	6	3	9
Derivative contracts	511	511	604	604
Financial liabilities				
Liabilities to credit institutions	200 000	200 013	0	0
Liabilities to the public and public sector entities	2 508 123	2 519 893	2 481 641	2 487 155
Derivatives and other liabilities held for trading			669	669
Subordinated liabilities			20 000	19 168

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

24. Equity items	31.12.2011	31.12.2010
Share capital; 1 Jan	33 540	33 540
Increase	0	0
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	4 794	12784
Increase (+)/decrease(-)	-21 140	-7 990
Fair value reserve; 31 Dec	**-16 346**	**4 794**
Invested non-restricted equity reserve; 1 Jan	104 448	104 448
Increase	0	0
Invested non-restricted equity reserve; 31 Dec	**104 448**	**104 448**
Loss from previous periods,;1 Jan	1 381	-13 435
Loss from previous periods; 31 Dec	1 381	-13 435
Profit/loss for the financial period	6 953	12 351
Total	**151 157**	**162 879**
Accrued depreciation difference included in equity	2 465	0

NOTES TO INCOME STATEMENT ITEMS, 1000 €

25. Interest income and expenses	31.12.2011	31.12.2010
Interest income		
Receivables from credit institutions	1 300	571
Receivables from the public and public sector entities	23 835	19 979
Debt securities	57 653	39 046
Derivative contracts	1 804	34
Other interest income	39	38
Total	**84 630**	**59 667**
of which intra-group items	204	0
Interest expenses		
Liabilities to credit institutions	248	0
Liabilities to the public and public sector entities	20 721	20 202
Derivative contracts	3 221	853
Other interest expenses	4	3
Subordinated liabilities	387	271
Total	**24 581**	**21 328**
of which intra-group items	204	0

26. Net income from leasing activities

Nothing to report

27. Income from equity investments

Nothing to report

28. Fee and commission income and expenses	31.12.2011	31.12.2010
Fee and commission income		
from lending	5 111	4 461
from borrowing	2 226	1 396
from payment transactions	3 412	3 012
from insurance brokerage	162	162
from other activities	70	377
	10 981	**9 407**
Fee and commission expenses		
Other	2 047	1 965

	31.12.2011		
29. Net income from securities trading	Gains and losses on sales (net)	Changes in fair value (net)	Total
From derivative instruments	-112	-7 235	-7 347

	31.12.2010		
	Gains and losses on sales (net)	Changes in fair value (net)	Total
From derivative instruments	-38	445	408

30. Net income from available-for-sale financial assets	31.12.2011	31.12.2010
Net income from disposal of financial assets	-5 058	10 166
Losses from impairment of financial assets	-1 920	0
Other income/expenses from available-for-sale financial assets	136	0

31. Suojauslaskennan nettotulos

Nothing to report

32. Net income from hedge accounting	31.12.2011	31.12.2010
Rental income	864	0
Rental expenses	-510	0
	354	**0**

33. Other operating income	31.12.2011	31.12.2010
Other income	3 557	4 852

34. Other operating expenses	31.12.2011	31.12.2010
Rental expenses	1 474	794
Other expenses	1 806	1 364
Total	**3 280**	**2 158**

35. Depreciation, amortisation and impairment of tangible and intangible assets	31.12.2011	31.12.2010
Intangible assets	4 148	3 887

Depreciation according to plan

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

	31.12.2010			
	Realised contract-specific credit losses, gross	Group-specific impairment losses, gross	Deductions	Total
Receivables from the public and public sector entities	3 552	7 089	7 692	2 949

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, 1000 €

39. Collateral provided	Other collateral 31.12.2011	Other collateral 31.12.2010
Liabilities to credit institutions*	7 460	540
Other liabilities**	0	10 937

* S-Bank has provided collateral on the basis of agreements relating to derivative trading (ISDA/CSA)
** As a company that is launching card operations, S-Bank has previously deposited funds in escrow for the benefit of Visa Europe Services Inc to cover transactions related to payment transactions outside Finland.

40. Pension liabilities

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

41. Leasing and other rental liabilities	31.12.2011	31.12.2010
Due in one year	189	129
Due in more than one year and less than five years	259	104
Due in more than five years		
Total	**448**	**233**

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

42. Muut taloudelliset vastuut

Konserni on velvollinen tarkastamaan kiinteistöinvestoinnista tekemiään arvonlisäverovähennyksiä, jos kiinteistön verollinen käyttö vähenee tarkistuskauden aikana. Vastuun enimmäismäärä on 1,9 miljoonaa euroa.

43. Off-balance sheet commitments	31.12.2011	31.12.2010
Undrawn credit facilities	584 241	560 595

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	2011 Average number	2011 Number on 31 Dec 2011	2010 Average number	2010 Number on 31 Dec 2010
Permanent full-time staff	170	178	118	124
Permanent part-time staff	45	56	6	8
Fixed-term staff	15	11	8	4
Total	**230**	**245**	**132**	**136**

Salaries and fees paid to management (EUR 1000)	**2011**	**2010**
Managing Director and his deputy	352	318
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, 1000 €

48. Loans and other financial receivables from related parties of the credit institution, investments made in such entities and guarantees and collateral provided by third parties on behalf of such entities for repayment of loans	31.12.2011 Receivables from the public and public sector entities	31.12.2010 Receivables from the public and public sector entities
Basis for classification as a related party		
Ownership	9 975	13
Management	25	19
Management of holding company	29	26
Total	**10 028**	**58**

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 Lempäälä terminal	Helsinki	100%
Kiinteistö Oy Liminka terminal	Helsinki	100%

Subsidiaries have been consolidated using the acquisition cost method

Associated companies	Registered Office	Ownership
S-Crosskey Ab	Mariehamn	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 ON AUDIT FEES, 1000 €

51. Information on the auditors' fees	31.12.2011	31.12.2010
Auditing	105	97
Other services	91	35

BANK, BALANCE SHEET

ASSETS, 1000 €	Note	31.12.2011	31.12.2010
Cash	18, 19, 24	6 670	7 118
Debt securities eligible for refinancing with central banks			
Other	3, 18, 19, 24	1 840 269	1 774 268
Receivables from credit institutions	1, 18, 19, 24	203 018	191 583
Repayable on demand		512	1 043
Other		202 506	190 540
Receivables from the public and public sector entities	2, 18, 19, 24	310 693	299 047
Repayable on demand		9 716	9 141
Other		300 976	289 907
Debt securities	3, 18, 19, 24		
Other		429 435	322 473
Shares and participations	5	74 031	56 248
Shares and participations in associated companies	5, 19, 24	3	3
Shares and participations in companies belonging to the same Group	5, 19, 24	3 882	50
Derivative contracts	6, 19, 24	511	604
Intangible assets	7, 10, 19	12 687	12 579
Other assets	11	3 748	3 077
Accrued income and prepayments	12	26 324	20 531
ASSETS, TOTAL		**2 911 271**	**2 687 582**

LIABILITIES, 1000 €	Note	31.12.2011	31.12.2010
LIABILITIES			
Liabilities to credit institutions			
To central banks	18, 19, 24	200 000	0
Liabilities to the public and public sector entities	18, 19, 24	2 508 658	2 481 641
Deposits		2 473 145	2 452 022
Repayable on demand		1 804 170	2 130 385
Other		668 975	321 637
Other liabilities		35 513	29 619
Repayable on demand		31 628	26 334
Other		3 885	3 285
Derivatives and other liabilities held for trading	6, 19, 24	7 811	669
Other liabilities	15, 19		
Other liabilities		13 485	11 392
Accruals, deferred income and advances received	16	14 834	7 751
Subordinated liabilities			
Capital loans	17, 18, 24	20 000	20 000
LIABILITIES TOTAL		2 764 788	2 521 454
ACCUMULATED APPROPRIATIONS			
Depreciation difference		3 248	3 249
ACCUMULATED APPROPRIATIONS TOTAL		3 248	3 249
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		-21 650	4 794
Non-restricted reserves			
Invested non-restricted equity reserve	25	104 448	104 448
Profit (loss) from previous financial periods	25	-1 084	-13 435
Profit (loss) for the financial period	25	6 800	12 351
EQUITY, TOTAL	25	143 235	162 879
LIABILITIES, TOTAL		**2 911 271**	**2 687 582**

* Vertailutiedot on esitetty vain S-Pankki Oy:n osalta

OFF-BALANCE SHEET COMMITMENTS			
Commitments given on behalf of a customer	46		
Irrevocable		36 259	66 390
Other		547 982	494 205

BANK, INCOME STATEMENT

1000 €	Note	31.12.2011	31.12.2010
Interest income	29	84 833	59 667
Interest expenses	29	-24 581	-21 328
NET INTEREST INCOME		**60 251**	**38 339**
Fee and commission income	32	10 981	9 407
Fee and commission expenses	32	-2 047	-1 965
Net income from securities trading and currency operations			
Net income from securities trading	33	-7 347	408
Net income from available-for-sale financial assets	34	-6 843	10 166
Net income from investment property	36	-65	0
Other operating income	37	1 994	4 852
Administrative expenses		-41 540	-39 671
Personnel expenses			
Salaries, wages and remuneration		-7 324	-6 600
Indirect personnel expenses			
Pension expenses		-1 275	-1 149
Other indirect personnel expenses		-423	-335
Other administrative expenses		-32 519	-31 586
Depreciation, amortisation and impairment losses on tangible and intangible assets	39	-4 122	-3 887
Other operating expenses		-2 870	-2 158
Impairment losses on loans and other receivables	40	-713	-2 949
OPERATING PROFIT (LOSS)		**7 680**	**12 543**
Appropriations		**1**	**-192**
Income taxes		**-880**	**0**
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		**6 800**	**12 351**

BANK, CASH FLOW STATEMENT

1000 €	1.1.–31.12.2011	1.1.–31.12.2010
CASH FLOW FROM OPERATIONS		
Interest, fee and commission income	86 450	78 663
Interest, fee and commission expenses	-20 305	-20 921
Payments received on loans recorded as credit losses	305	213
Other income	-3 105	14 581
Payments to suppliers of goods and services, and personnel	-44 613	-41 901
	18 732	**30 634**
Increase (-) or decrease (+) in operating assets:		
Current assets	-4 821	7 699
Net increase in credit card and overdraft receivables	-12 397	-148 102
Increase (+) or decrease (-) in operating liabilities:		
Deposits from customers	21 123	-5 528
Current liabilities	207 866	-2 622
Net cash provided by (used in) operating activities before income taxes	230 502	-117 919
Income taxes	0	0
Net cash from operations	**230 502**	**-117 919**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of subsidiaries	-3 832	
Purchase of intangible assets	-4 231	-3 159
Net cash provided by (used in) investment activities	**-8 063**	**-3 159**
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	222 439	-121 078
Cash and cash equivalents at the beginning of the financial period	2 353 316	2 474 395
Cash and cash equivalents at the end of the financial period	2 575 756	2 353 316

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. S-Bank does not have items denominated in foreign currency.

FINANCIAL ASSETS AND LIABILITIES

S-Bank Ltd applies a settlement-date practice when recognising financial assets and liabilities on 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 value of certificates of deposit, commercial papers or interest rate swaps is determined by discounting future cash flows to the present value, applying market interest rates on the balance sheet date. Bonds and notes 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 traded actively and have been acquired for short-term gain. Derivative contracts to which hedge accounting has not been applied are also included. Derivative contracts are taken out primarily for hedging, but hedge accounting is not applied to them.

Financial assets or liabilities at fair value through profit and loss are measured at 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.

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 the 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.

Should there be objective evidence of the impairment of debt securities or shares included in available-for-sale financial assets, the cumulative loss 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 subsequently increases, the increase in value is recognised in equity.

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 acquired 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. In addition, S-Bank has itself issued two debenture loans with similar terms. 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 current taxes 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, 1000 €

1. Receivables from credit institutions	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**

	31.12.2010 Repayable on demand	31.12.2010 Other than repayable on demand	31.12.2010 Total
From the central bank	0	190 000	190 000
From Finnish credit institutions	777	0	777
From foreign credit institutions	265	540	805
Receivables from credit institutions, total	**1 043**	**190 540**	**191 583**

2. Receivables from the public and public sector entities	31.12.2011	31.12.2010
Companies and housing associations	105 672	87 452
Financial and insurance institutions	2 028	528
Public sector entities	110	101
Households	202 765	210 857
Non-profit organisations serving households	101	100
Foreign countries	16	9
Total	**310 693**	**299 047**
There are no allocated credit loss provisions.		
Impairment losses at beginning of year	**7 089**	**4 644**
Group-specific impairment losses recorded in the period	7 912	7 089
Group-specific impairment losses reversed in the period	-7 089	-4 644
Impairment losses at end of year	**7 912**	**7 089**

3. Debt securities	31.12.2011	31.12.2010
	Other	Other
Available-for-sale	**2 269 704**	**2 096 741**
Treasury bonds and notes	38 814	78 147
Other bonds and notes issued by public sector entities	5 532	16 070
Other debt securities	2 225 359	2 002 523
Debt securities, total	**2 269 704**	**2 096 741**
– eligible for refinancing with central banks	1 840 269	1 774 268
– subordinated	6 935	6 901

4. Assets leased under finance leases

Nothing to report

5. Shares and participations		31.12.2011	
Shares and participations	**Publicly quoted**	**Other**	**Total**
Available-for-sale	74 031		74 031
Shares and participations in companies belonging to the same Group		3 882	3 882
Shares and participations in associated companies		3	3
Total	**74 031**	**3 885**	**77 916**
- of which in credit institutions	10 056	0	0

		31.12.2010	
Shares and participations	**Publicly quoted**	**Other**	**Total**
Available-for-sale	45 310	10 937	56 248
Shares and participations in companies belonging to the same Group		50	50
Shares and participations in associated companies		3	3
Total	**45 310**	**10 990**	**56 301**
- of which in credit institutions	3 012		

6. Derivative contracts	31.12.2011 Nominal value	Positive fair value	Negative fair value
Non-hedging purposes			
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
Written	8 893	0	-7

Of the nominal value of derivatives, EUR 149,580,000 mature in less than 1 year and EUR 406,732,000 in 1–5 years.

Non-hedging purposes	31.12.2010 Nominal value	Positive fair value	Negative fair value
Interest rate derivatives			
Futures and forwards	105 000	62	0
Interest rate swaps	160 500	531	-669
Equity derivatives			
Option agreements			
Bought	3 540	53	0
Written	3 540	0	-53

Of the nominal value of derivatives, EUR 119,000,000 mature in less than 1 year and EUR 153,580,000 in 1–5 years.

7. Intangible assets	31.12.2011	31.12.2010
Capitalised IT expenditure	12 174	11 385
Other intangible assets	514	1 194
Total	**12 687**	**12 579**

8. Tangible assets

Nothing to report

9. Changes in intangible and tangible assets during the financial year (*

Nothing to report

10. Changes in intangible and tangible assets during the financial year	31.12.2011	31.12.2010
Prepayments for intangible assets		
Acquisition cost; 1 Jan	3 757	1 988
Increase	4 227	3 147
Deductions		
Transfers between items	-281	-1 378
Acquisition cost; 31 Dec	7 703	3 757
Carrying amount; 31 Dec	7 703	3 757
Intangible assets		
Acquisition cost; 1 Jan	21 608	20 218
Increase	4	11
Deductions		
Transfers between items	281	1,378
Acquisition cost; 31 Dec	21 893	21 608
Accumulated depreciation, amortisation and impairment; 1 Jan	-12 786	-8 899
During the period	-4 122	-3 887
Accumulated depreciation and amortisation; 31 Dec	-16 909	-12 786
Carrying amount; 31 Dec	4 985	8 822
Intangible assets, total; 31 Dec	**12 687**	**12 579**

11. Other assets	31.12.2011	31.12.2010
Other	3 748	3 077
Total	**3 748**	**3 077**

12. Accrued income and prepayments	31.12.2011	31.12.2010
Interest income	20 860	19 299
Other accrued income	5 464	1 232
Total	**26 324**	**20 531**

13. Deferred tax assets and liabilities	31.12.2011	31.12.2010
Deferred tax assets attributable to losses	0	1 118
Deferred tax assets / liabilities arising from the fair value reserve	5 304	-1 247
Deferred tax liability on depreciation difference	796	845

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

Nothing to report

15. Other liabilities	31.12.2011	31.12.2010
Payables arising from payment transactions	9 282	7 435
Other	4 204	3 957
Other liabilities, total	**13 328**	**11 392**

16. Accruals, deferred income and advances received	31.12.2011	31.12.2010
Interest expenses	10 792	4 468
Other accrued expenses	4 042	3 283
Total	**14 834**	**7 751**

	31.12.2011			
17. Subordinated liabilities	Carrying amount *	Nominal value	Interest	Maturity date
Loan on debenture terms I/2008	15 065	15 000	Euribor3kk + 0,5%	1/15/18
Loan on debenture terms II/2008	5 005	5 000	Euribor3kk + 0,75%	9/15/18

*) 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	31.12.2011 Less than 3 mos.	3–12 mos.	1–5 yrs.	5–10 yrs.	Total
Cash	6 670	0	0	0	6,670
Debt securities eligible for refinancing with central banks	25 422	223 902	1 590 945	0	1 840 269
Receivables from credit institutions	203 018	0	0	0	203 018
Receivables from the public and public sector entities	74 019	36 242	133 981	66 451	310 693
Debt securities	61 906	54 734	301 418	11 378	429 435
Liabilities to credit institutions	0	0	200 000	0	200 000
Liabilities to the public and public sector entities	2 083 233	366 382	59 043	0	2 508 658
Subordinated liabilities	0	0	0	20 000	20 000

	31.12.2010 Less than 3 mos.	3–12 mos.	1–5 yrs.	5–10 yrs.	Total
Cash	7 118	0	0	0	7,118
Debt securities eligible for refinancing with central banks	43 079	221 251	1 509 938	0	1 774 268
Receivables from credit institutions	191 583	0	0	0	191 583
Receivables from the public and public sector entities	52 732	45 244	107 767	93 305	299 047
Debt securities	27 007	6 176	282 389	6 901	322 473
Liabilities to the public and public sector entities	2 254 822	116 687	110 132	0	2 481 641
Subordinated liabilities	0	0	0	20 000	20 000

19. Breakdown of balance sheet items into domestic amounts and where counterparty is a group entity	31.12.2011		31.12.2010	
	Domestic currency	From group entities	Domestic currency	From group entities
Balance sheet item				
Cash	6 670	0	7 118	0
Receivables from credit institutions	203 018	0	191 583	0
Receivables from the public and public sector entities	310 693	9 870	299 047	0
Debt securities	2 269 704	0	2 096 741	0
Derivative contracts	511	0	604	0
Shares and participations	77 916	3 882	56 301	50
Intangible assets	12 687	0	12 579	0
Other assets	30 072	3	23 609	8
Total	**2 911 271**	**13 755**	**2 687 582**	**58**
Liabilities to credit institutions	200 000	0	0	0
Liabilities to the public and public sector entities	2 508 658	534	2 481 641	370
Derivative contracts	7 811	0	669	0
Other liabilities	48 319	411	39 144	25
Total	**2 764 788**	**945**	**2 521 454**	**395**

The balance sheet items do not contain items denominated in foreign currencies

20. Securities lending

Nothing to report

21. Securities repurchase agreements

Nothing to report

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

If the fair value of a financial instrument cannot be determined on the basis of prices quoted in active markets, fair value can be determined using 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 2011 and 2010 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

24. Fair values and carrying amounts of financial assets and liabilities	31.12.2011		31.12.2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash	6 670	6 670	7 118	7 118
Receivables from credit institutions	203 018	203 015	191 583	191 583
Receivables from the public and public sector entities	310 693	312 671	299 047	300 660
Debt securities*	2 269 704	2 269 704	2 096 741	2 096 741
Shares and participations	74 031	73 951	56 248	56 247
Shares and participations in associated companies	3	6	3	9
Shares and participations in companies belonging to the same Group	3 882	3 884	50	50
Derivative contracts	511	511	604	604

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

Financial liabilities				
Liabilities to credit institutions	200 000	200 013		
Liabilities to the public and public sector entities	2 508 658	2 520 428	2 481 641	2 487 155
Derivatives and other liabilities held for trading			669	669
Subordinated liabilities			20 000	19 168

25. Equity items	31.12.2011	31.12.2010
Share capital; 1 Jan	33 540	33 540
Increase	0	0
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	4 794	12 784
Increase (+)/decrease(-)	-26 444	-7 990
Fair value reserve; 31 Dec	**-21 650**	**4 794**
Invested non-restricted equity reserve; 1 Jan	104 448	104 448
Increase	0	0
Invested non-restricted equity reserve; 31 Dec	**104 448**	**104 448**
Loss from previous periods; 1 Jan	-1 084	-13 435
Loss from previous periods; 31 Dec	-1 084	-13 435
Profit/loss for the financial period	6 800	12 351
Total	**143 235**	**162 879**
Non-distributable items included in non-restricted equity	0	0

26. Share capital

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

27. Share issues and issues of warrants and convertible bonds

Nothing to report

28. Shareholders and distribution of shareholdings

Owner	Ownership
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, 1000 €

29. Interest income and expenses	31.12.2011	31.12.2010
Interest income		
Receivables from credit institutions	1 300	571
Receivables from the public and public sector entities	24 037	19 979
Debt securities	57 653	39 046
Derivative contracts	1 804	34
Other interest income	39	38
Total	**84 833**	**59 667**
of which intra-group items	202	0
Interest expenses		
Liabilities to credit institutions	248	0
Liabilities to the public and public sector entities	20 723	20 202
Derivative contracts	3 221	853
Other interest expenses	3	3
Subordinated liabilities	387	271
Total	**24 581**	**21 328**
of which intra-group items	2	0

30. Net income from leasing activities

Nothing to report

31. Income from equity investments

Nothing to report

32. Fee and commission income and expenses	31.12.2011	31.12.2010
Fee and commission income		
from lending	5 111	4 461
from borrowing	2 226	1 396
from payment transactions	3 412	3 012
from insurance brokerage	162	162
from other activities	70	377
	10 981	**9 407**
Fee and commission expenses		
Other	2 047	1 965

	31.12.2011		
33. Net income from securities trading	Gains and losses on sales (net)	Changes in fair value (net)	Total
From derivative instruments	-112	-7 235	-7 347

	31.12.2010		
	Gains and losses on sales (net)	Changes in fair value (net)	Total
From derivative instruments	-38	445	408

34. Net income from available-for-sale financial assets	31.12.2011	31.12.2010
Net income from disposal of financial assets	-5 058	10 166
Losses from impairment of financial assets	-1 920	0
Other income/expenses from available-for-sale financial assets	136	0

35. Net income from hedge accounting

Nothing to report

36. Net income from investment property	31.12.2011	31.12.2010
Rental income	864	0
Rental expenses	-928	0
	-65	**0**

37. Other operating income	31.12.2011	31.12.2010
Other income	1 994	4 852

38. Other operating expenses	31.12.2011	31.12.2010
Rental expenses	1 069	794
Other expenses	1 801	1 364
Total	**2 870**	**2 158**

39. Depreciation, amortisation and impairment of tangible and intangible assets	31.12.2011	31.12.2010
Intangible assets		
Depreciation according to plan	4 122	3 887

There are no impairment losses on tangible and intangible assets

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

	31.12.2010			
	Realised contract-specific credit losses, gross	Group-specific impairment losses, gross	Deductions	Total
Receivables from the public and public sector entities	3 552	7 089	7 692	2 949

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, 1000 €

	Other collateral	
43. Collateral provided	**31.12.2011**	**31.12.2010**
Liabilities to credit institutions*	7 460	540
Other liabilities**		10 937

* S-Bank has provided collateral on the basis of agreements relating to derivative trading (ISDA/CSA)
** As a company that is launching card operations, S-Bank has previously deposited funds in escrow for the benefit of Visa Europe Services Inc to cover transactions related to payment transactions outside Finland.

44. Pension liabilities

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

45. Leasing and other rental liabilities	**31.12.2011**	**31.12.2010**
Due in one year	157	129
Due in more than one year and less than five years	149	104
Due in more than five years		
Total	306	233

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

46. Off-balance sheet commitments	**31.12.2011**	**31.12.2010**
Undrawn credit facilities	584 241	560 595

Off-balance sheet commitments have not been given 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	2011 Average number	2011 Number on 31 Dec 2011	2010 Average number	2010 Number on 31 Dec 2010
Permanent full-time staff	124	126	118	124
Permanent part-time staff	22	30	6	8
Fixed-term staff	4	4	8	4
Total	**150**	**160**	**132**	**136**

Salaries and fees paid to management (EUR 1000)	2011	2010
Managing Director and his deputy	352	318
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, 1000 €

51. Loans and other financial receivables from related parties of the credit institution, investments made in such entities and guarantees and collateral provided by third parties on behalf of such entities for repayment of loans	31.12.2011 Receivables from the public and public sector entities	31.12.2010 Receivables from the public and public sector entities
Basis for classification as a related party		
Ownership	9 975	13
Management	25	19
Management of holding company	29	26
Total	**10 028**	**58**

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, 1000 €

52. Holdings in other companies	
S-Asiakaspalvelu Oy, domiciled in Helsinki	
Shareholding 100%	
Equity (EUR thousand)	52
Result for the period (EUR thousand)	2
S-Crosskey Ab, domiciled in Maarianhamina (Mariehamn)	
Shareholding 40%	
Equity (EUR thousand)	15
Result for the period (EUR thousand)	-7
Kiinteistö Oy Lempäälä terminal	
Shareholding 100%	
Equity (EUR thousand)	50
Result for the period (EUR thousand)	0
Kiinteistö Oy Liminka terminal	
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, 1000 €

54. Information on the auditors' fees	31.12.2011	31.12.2010
Auditing	103	97
Other services	91	35

S-Bank

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