

1st. again

S1 Corporation
2001 Summary Annual Report



PROFILE

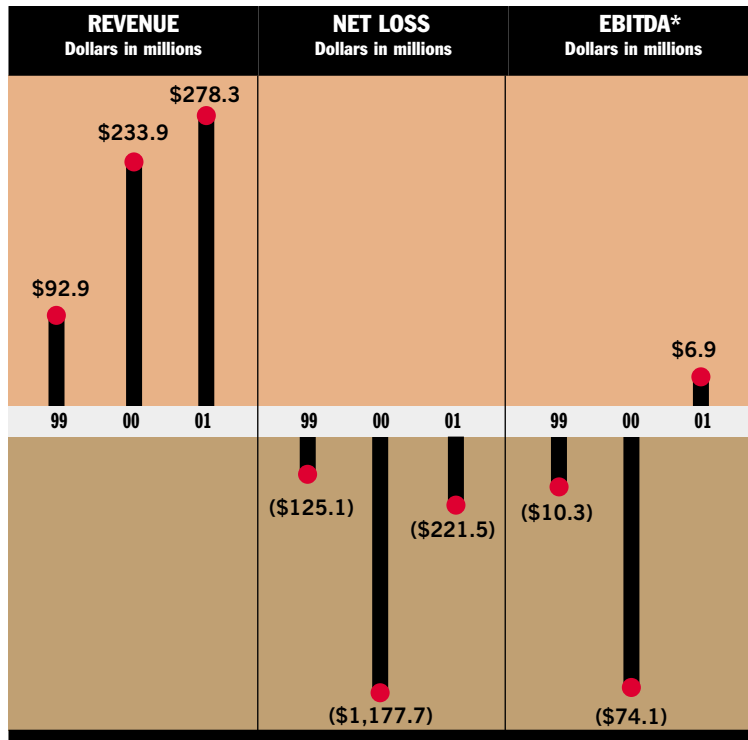
S1 Corporation is a leading provider of software solutions to banks, credit unions, insurance companies and investment firms around the world. These solutions allow financial institutions to automate transactions and manage data across all delivery channels (branch or agency, Internet, call center, phone and ATM or kiosk).

S1 offers a complete integrated solution of best-of-breed products that spans all customer interaction points, enabling financial institutions to gain a more comprehensive view of the customer and achieve better customer retention and acquisition rates, as well as reduced costs and increased profits.

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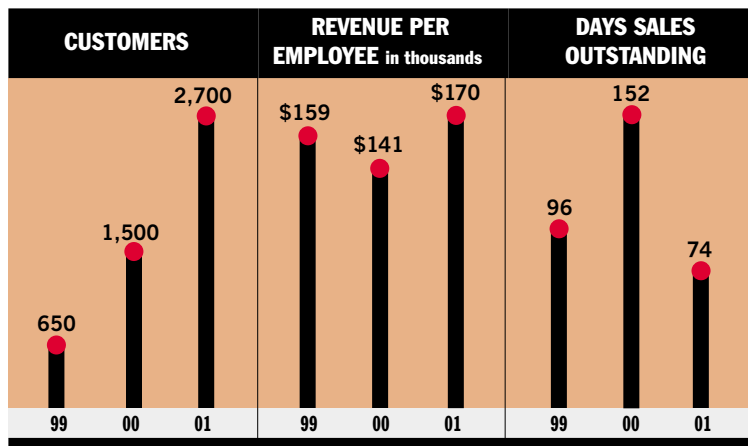
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FINANCIAL HIGHLIGHTS



* Earnings before interest, taxes, depreciation and amortization, and merger-related and certain other non-cash charges.

OPERATIONAL HIGHLIGHTS

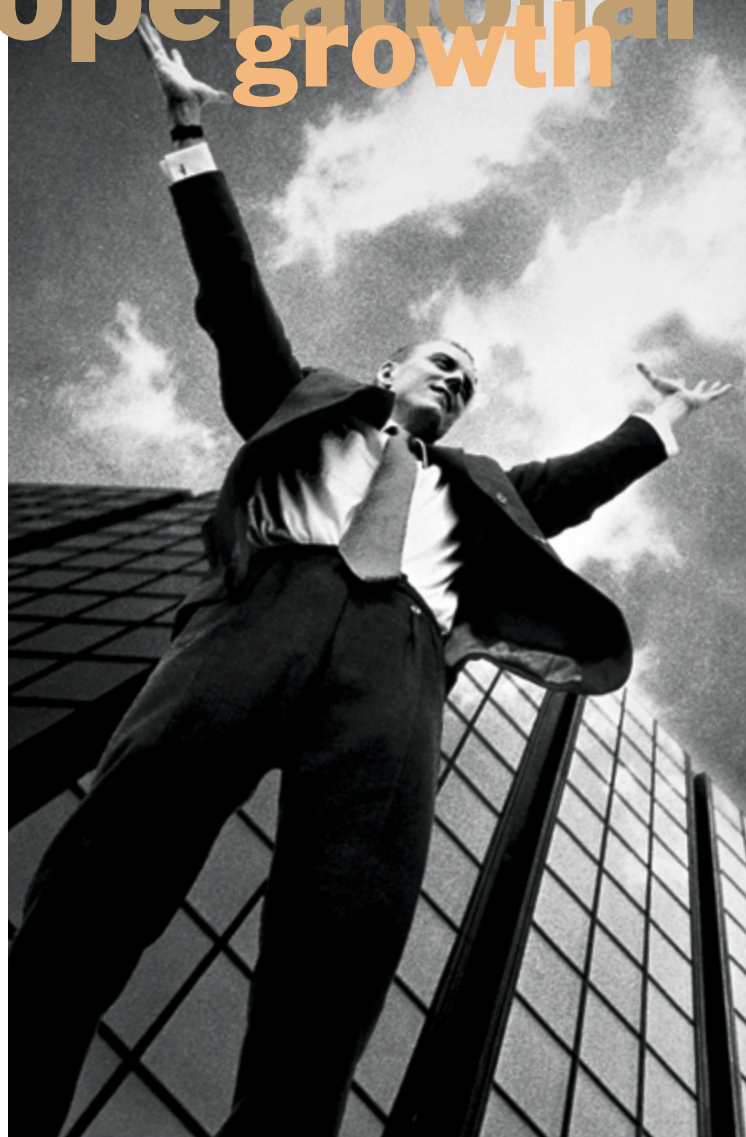


1st again

In its short history, **S1** has a **long record** of being **first**.

financial
operational
growth

SEVEN YEARS AGO, S1 Corporation revolutionized the banking industry by establishing the first Internet bank. Today, S1 is the leading Internet banking software provider by every metric – revenue, number of customers and quality of products. Last year, S1 again was first to realize that while the Internet is a critical delivery channel, it ultimately needs to be viewed as only one channel by which financial institutions interact with their customers. As a result, S1 began a substantial internal development project to build the integration platform for all customer-facing applications, S1 Enterprise. With the release of S1 Enterprise in November of 2001, the Company was first to offer an enterprise solution that integrates all customer interactions and delivery channels for a financial institution. S1 ended 2001 by becoming the first eFinance provider to generate positive cash flow and EBITDA, enhancing its ability to capitalize on one of the most compelling growth opportunities in information technology today.



1st again

S1 is the **first software provider** to understand the full potential of enterprise solutions for one of the **world's largest** information technology markets.

information technology
information technology ma
information technology market

TO OUR SHAREHOLDERS

S1 set forth an ambitious agenda for 2001—and we made significant progress toward achieving our long-term goals. At the top of our agenda: stabilizing our operational performance, strengthening the management team, reconfiguring and expanding the S1 product line and creating a new technology platform that will allow S1 to lead the financial services application market well into the next decade.

Our progress is demonstrated by our results. In a difficult economic environment, the Company grew revenues to \$278.3 million, an increase of 19 percent, and achieved positive cash flow from operations for the first time in our history. S1's stock price appreciated 218 percent during the year. And, most importantly, S1 now offers the broadest and most complete application solution set in the financial services industry. We are positioned to capitalize on one of the most significant new opportunities in the market today.

JAIME W. ELLERTSON
CHIEF EXECUTIVE OFFICER



A \$57 BILLION FINANCIAL SERVICES TECHNOLOGY MARKET

Since its founding seven years ago, S1's competitive edge has been the ability to recognize and understand the needs of financial institutions and their customers better than other software suppliers. S1 and its founder, Chip Mahan, were the first to see the potential of Internet banking. The Company established this space, and today S1 is the leading provider of Internet banking to financial institutions around the world. However, Internet banking is but one of several touchpoints through which financial institutions interact with their customers.

As financial institutions struggle to remain competitive, their challenge is to form better relationships that enable them to win new business and retain current customers, both retail and business. Financial transaction and information systems, however, are tied to different customer interaction points – in the branch or agency, through a Web site, at the call center, over the phone or at the ATM or kiosk. The challenge is to integrate the data from these different systems to gain a more comprehensive view that will enable the financial institution to better sell to and service new and existing customers. We call this Integrated Delivery Channel Management. This is what S1 Enterprise is all about.

S1 Enterprise is a complete integrated solution of best-of-breed products that integrates all customer interactions and delivery channels. Equally significant, S1 Enterprise can be utilized by virtually any financial institution, from small community banks to global, full-service providers or insurance companies. Combined, this financial services market is projected to spend \$57 billion on IT in 2002. A significant portion of this spending is dedicated to customer interaction and retail delivery channels, of which TowerGroup (12/2001) estimates some 22 percent, or \$1.6 billion, was attributable to multi-channel strategies in 2001. By 2005, projections are that 92 percent of IT purchases, or \$9.7 billion, will be made as part of a multi-channel strategy. That is an annual growth rate of over 50 percent.

S1 products target the two largest sub-markets within financial services – banking and insurance. Both banks and insurance providers have compelling reasons to pursue an enterprise solution: it drives revenue by enhancing cross-selling opportunities, it increases customer loyalty and it reduces costs by decreasing operational complexity and eliminating multi-vendor coordination. Simply put: S1 Enterprise is an essential solution that *turns customer interactions into profits*.

This helps to explain why almost two-thirds of financial services providers indicated in a recent industry analyst survey that they plan to spend an average of \$10 million each on channel integration this year, while overall IT spending in the sector is expected to grow three to five percent in 2002. Even in the midst of a recession and extremely difficult market conditions, financial institutions have confirmed the strategic nature of these channel integration investments. For S1, this is an enormous opportunity and we are already delivering a solution.

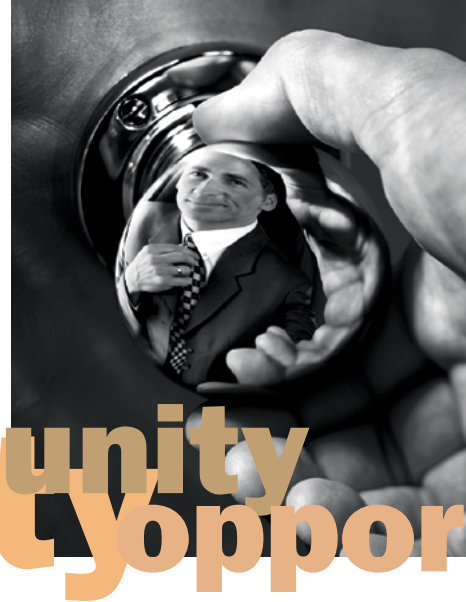
POSITION THE ORGANIZATION FOR LEADERSHIP

With a clear vision of the opportunity before us, our priority in 2001 was to ensure that the Company be in the strongest possible operational and financial position to capitalize on this vision. An important step toward strengthening our operational performance was the rationalization of our cost structure and assets, a necessary task after completing six acquisitions during the 14 months ended December 31, 2000. This rationalization, combined with a relentless focus on cost control, was the impetus behind our gross margin improvement from 41 percent in 2000 to 65 percent as we exited 2001.

These and other operational accomplishments propelled S1 to a significant turning point in its financial performance. Revenues increased 19 percent for the year to \$278.3 million. During the second quarter, S1 became the first company in the eFinance arena to generate positive EBITDA (earnings before interest, taxes, depreciation and amortization) and for the year reported \$0.12 per share in EBITDA compared to an EBITDA loss of (\$1.37) for 2000. Similarly, net loss per share was significantly reduced to (\$3.74) per share from (\$21.77) per share in 2000. We ended the year with a strong balance sheet, no debt and \$148.5 million in cash.

The Company has worked hard to improve service and satisfaction among existing customers. Our DSO (days sales outstanding) ratio provides a compelling measure of our success in this area, decreasing steadily from 152 days outstanding in 2000 to 74 days in 2001. Overall, S1's total customer base grew to more than 2,700 by year end, and has since expanded to more than 3,700. This large customer base is a tremendous competitive advantage for S1: every customer we gain represents an additional cross-selling opportunity for one or more of our S1 Enterprise applications.

market
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opportunity opportunity opportunity

During 2001 and the early months of 2002, we also strengthened S1's management team with the addition of more than a dozen new senior executives, including such key appointments as Peter Dunning as Executive Vice President and General Manager of the Americas; Matthew Hale as Chief Financial Officer; Steve Ely as Senior Vice President of Worldwide Marketing; Vic Syracuse as Senior Vice President of Operations and Technical Support; Simhua Lui as President and General Manager, Asia Pacific Japan (APJ); and William James, General Manager, Europe. In addition, Douglas Ivester, former CEO and Chairman of The Coca-Cola Company, joined our Board of Directors. These and other new members of the S1 team have enhanced our ranks by bringing years of experience from many leading names in the enterprise software and technology fields. They will be critical to the successful execution of the S1 strategy as we go forward.

EXPLOIT FULL PRODUCT POTENTIAL

While working to strengthen operational and financial performance, the Company also undertook the most extensive retooling ever of its product suite. Due to rapid growth and numerous acquisitions, S1 products encompassed several overlapping technologies and applications. In order to realize the full potential of an enterprise solution, it was imperative to rewrite the technological architecture for the S1 family of products. Operationally, this rewrite allowed us to move from five Internet banking platforms to one, increasing our leverage and significantly reducing our cost structure.

Building on leading industry standards such as J2EE, the S1 Enterprise Platform is an open, flexible and scalable architecture that serves as a common base for all current and future S1 product deployments. Its layered framework ensures that all applications are consistent in their interpretation and presentation of data and that they can be consistently extended, upgraded, maintained and operated. It also allows all applications and channels to access customer information via a single customer database. This approach reduces a financial services provider's operating costs and total cost of ownership, thereby enhancing return on investment.

In order to make the S1 Enterprise Platform as customer-centric as possible, the Company enlisted 14 financial institutions to take part in its innovative Market Leadership Program (MLP). These MLP partners worked directly with the product management and development teams over the year-long process to develop and refine our S1 Enterprise offerings. In doing so, the MLP partners had the opportunity to incorporate their business requirements into the product design, as well as to acquire a hands-on knowledge of the products. For S1, the Market Leadership Program has contributed invaluable customer insights into our product development process and provided a base of customers to validate product functionality and technical architecture. MLP partners also create a group of referenceable customers as we go to market.

This project has been a substantial undertaking for the Company, but one that I'm very proud to say has met virtually every expectation. The first applications on the new S1 Enterprise Platform, S1 Personal Banking and S1 Business Banking, were delivered to our MLP partners in November 2001, and we began general shipments in March 2002. Initial customer traction for S1 Enterprise has been very encouraging, with ten new enterprise customers signed in the fourth quarter of 2001 alone.

Our enterprise product portfolio was further rounded out in September of 2001 with the acquisition of Software Dynamics Incorporated (SDI), a premier provider of branch automation, teller, call center and CRM solutions for financial institutions. SDI's branch, call center and CRM capabilities address some of the most widely used touchpoints, and represent a key channel solution not previously offered by S1. The acquisition also expanded our customer base by more than

The **achievements** of 2001 have built a remarkable level of **momentum** within **S1**.

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1,000 financial institutions and creates considerable synergies through the cross-selling of the branch application as part of our overall enterprise solution. In the fourth quarter of 2001, we signed up \$10 million in cross sales of our Internet banking, voice and branch solutions, an early validation of our enterprise multi-channel strategy.

PRIORITY: EXECUTE, EXECUTE, EXECUTE

The achievements of 2001 have built a remarkable level of momentum within S1. The core building blocks we need to grow the business are in place. We have a clear strategic direction, a solid financial position, an efficient process-bound infrastructure and a compelling value proposition to attack this new channel integration opportunity. Although it may sound simplistic, the remaining challenge for S1 is basic – continued execution.

We're off to a great start in 2002. The traction we are seeing with our enterprise approach truly demonstrates the value proposition of S1's Integrated Delivery Channel Management Solution.

Additionally, in the first quarter of 2002, S1 announced two strategic acquisitions: Regency Systems, a leading voice banking application vendor, and Point Information Systems, a European-based provider of insurance and call center applications. In combination, these two acquisitions expand S1's customer base, add to our product portfolio and strengthen our global footprint. Going forward, we will continue to consider similar acquisitions that can enhance our product capabilities, support our recurring revenue model and bring an attractive base of customers to us. As we've stated in the past, acquisition candidates must be reasonably priced and accretive to the bottom line.

During the past year, my first full year with S1, I asked for a lot from our 1,700 associates around the world, and they delivered. For this, I extend my appreciation. Their ability to meet our objectives in 2001 provides me with a great deal of confidence about our future. The combination of unique technological assets, a global footprint, a strong financial position and a visionary enterprise strategy makes S1 the true leader in one of the world's largest vertical markets, a market that offers significant growth potential. Our priority now is to fully capitalize on this opportunity by generating profitable growth for years to come.

To our shareholders, we appreciate your support and extend an invitation to continue our journey in market leadership.

Sincerely,



Jaime W. Ellertson
Chief Executive Officer

April 23, 2002

1st again

S1 is the first and only software provider to offer financial institutions an **integrated solution** that turns customer interactions into **profits**.

integrated solutions
customer interactions
profit

PRODUCTS & SERVICES

S1 serves more than 3,700 financial institutions around the world. The remarkable diversity of its customer base reflects the broad functionality of its product offerings. S1 customers range from community banks and credit unions to brokerage firms and insurance companies to global top ten banks.

The ability to serve such a diverse range of clients is based on S1 Enterprise, the only integrated solution for financial institutions that spans all customer channels – branch/agent, call center, ATM/kiosk, Internet and IVR – across all applications and customer segments. S1 Enterprise runs on the S1 Enterprise Platform, an open, flexible and scalable architecture that allows for rapid deployment and customization of applications. This solution encompasses all front-office applications for financial institutions and creates the potential for every customer interaction to be a profit opportunity.



S1 BANKING SOLUTIONS

Provides individual consumers with anytime, anywhere access to all of their banking accounts, including deposit, credit card and loan accounts. Functions include the ability to view statements, activity, and cleared and pending transactions online; transfer funds between accounts; pay bills electronically; receive alerts; and perform customer self-service functions such as ordering checks.

PERSONAL BANKING



“S1 has proved to be a strong technology partner through the years, and today is the only company offering a multi-channel solution that will enable us to deliver highly personalized service across all channels.”

– William R. Klich
President and CEO of Republic Bank

BUSINESS BANKING



A comprehensive banking solution geared to the unique needs of the often-underserved market of small business owner-operators. Robust functionality includes daily account balance and transaction reporting, disbursement services, payroll, account transfers, wires and electronic tax payments.

“The S1 Enterprise Platform will help enable us to bring leading applications to market faster, improve cost efficiencies, and ultimately increase member usage and loyalty.”

– Terry West
CEO of Jax Navy Credit Union

CORPORATE BANKING



The most comprehensive Internet cash management solution available today, this application offers multi-lingual, multi-currency and multi-delivery channel capability to perform such functions as information reporting, global payments, check services, file services and customer administration on a global basis.

ction

An international trade finance system with an exceptional level of breadth and depth in functionality. Among its features are the ability to generate a wide range of trade-specific documents and more than 100 customer reports, as well as a complete “Bank Site” Web application.



TRADE FINANCE

“We’re operating in an extremely competitive environment, and it is critical that we have a better understanding of every customer and increase the value of every interaction. S1’s Enterprise Platform provides us with a very cost-effective, flexible and extensible set of solutions. Our solid relationship with S1, whose vision parallels our own, will help ensure that we continue to meet our performance and business objectives.”

– Bruce Hobbs
Senior Vice President, e-commerce NCF

FULL-SERVICE BANKING



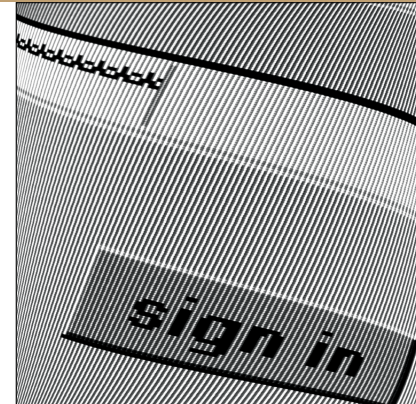
The S1 ZEUS delivery applications provide integrated sales and service, teller, and call center applications automating a financial institution’s full-service channel, and providing the customer profiling, process flows, tracking and fulfillment management required of today’s branch and call center operations.

S1 INSURANCE SOLUTIONS

“We can now anticipate our customers’ needs and make strategic information readily available to our employees when a customer is interacting with us. This empowers us to gain the advantage we need to compete in today’s financial services marketplace.”

– Allan Farias
Senior Vice President of
Corporate/Retail Administration at
First Federal Bank

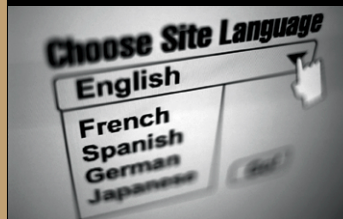
S1 Insurance links customers and agents to insurance carriers via the Internet. Its features and functionality provide the ability to view policy information, request changes to policy information, get quotes, apply for and purchase products and initiate the claims process.



S1 CRM SOLUTIONS

CRM Analytics enhances the value of a financial institution’s CRM efforts by providing easy-to-use analytical and segmentation tools, comprehensive campaign development and management capabilities to drive the results of CRM to all delivery channels.

CUSTOMER CENTER

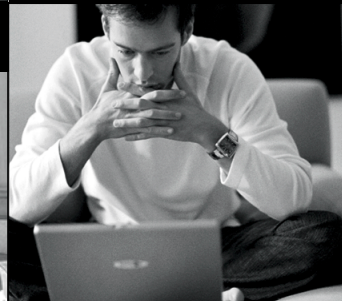


A virtual financial lobby, the S1 Customer Center provides customers with product information, community pages, news and other content, as well as financial calculators.

CRM ANALYTICS



vCSR



This family of products enables financial institutions to know and serve their customers better and more cost-effectively through an integrated, multi-channel approach to the contact center that includes IVR, voice recognition, email, CTI and customer feedback and analysis tools.

The Company’s investment product portfolio includes a consumer investment application that offers a full-service online brokerage program and an institutional investment offering that includes five component products to address the needs of the institutional trading firm and provide the infrastructure for complex retail brokerage operations. S1 wealth management solutions provide the tools necessary to bring together a client and an advisor online to perform financial planning activities.

S1 INVESTMENT SOLUTIONS



CONDENSED CONSOLIDATED BALANCE SHEETS

December 31,	2001	2000
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148,450	\$ 173,266
Accounts receivable, net	56,502	97,134
Other current assets	7,902	12,565
Total current assets	212,854	282,965
Property and equipment, net	41,253	62,667
Goodwill and intangible assets, net	111,223	253,226
Other assets	6,707	7,846
Total assets	\$ 372,037	\$ 606,704
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 49,603	\$ 77,685
Deferred revenues	27,499	27,471
Current portion of capital lease obligation and notes payable	5,925	12,105
Total current liabilities	83,027	117,261
Capital lease obligation, excluding current portion	1,450	6,226
Other long-term liabilities	12,942	15,472
Total liabilities	97,419	138,959
Total stockholders' equity	274,618	467,745
Total liabilities and stockholders' equity	\$ 372,037	\$ 606,704

These condensed consolidated financial statements should be read in conjunction with the full financial statements presented in our Annual Report on Form 10-K.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31,	2001	2000	1999
(in thousands)			
REVENUES:			
Software licenses	\$ 71,385	\$ 51,737	\$ 19,050
Support and maintenance	40,995	28,930	5,315
Professional services	111,965	125,517	51,117
Data center	52,915	22,811	8,858
Other	1,050	4,893	8,550
Total revenues	278,310	233,888	92,890
OPERATING EXPENSES:			
Cost of software licenses	4,017	4,556	642
Cost of professional services, support and maintenance	84,351	109,379	36,446
Cost of data center	26,013	20,371	9,008
Cost of other revenue	751	4,305	7,112
Selling and marketing	52,268	55,472	12,294
Product development	55,569	70,490	24,580
General and administrative	49,820	48,766	14,243
Depreciation and amortization	29,252	25,891	6,924
Marketing cost from warrants issued	-	4,962	715
Merger-related and restructuring costs	9,260	37,228	8,744
Acquired in-process research and development	-	14,100	59,300
Amortization of acquisition intangibles	79,787	1,080,321	40,206
Total operating expenses	391,088	1,475,841	220,214
Operating loss	(112,778)	(1,241,953)	(127,324)
Interest, investment and other income, net	3,066	59,699	2,237
Loss on sale of subsidiaries	(53,186)	-	-
Equity in net loss of affiliate	(61,900)	-	-
Income tax benefit	3,255	4,576	-
Net loss	\$(221,543)	\$(1,177,678)	\$(125,087)

These condensed consolidated financial statements should be read in conjunction with the full financial statements presented in our Annual Report on Form 10-K.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	2001	2000	1999
(in thousands)			
Cash flows from operating activities:			
Net loss	\$(221,543)	\$(1,177,678)	\$(125,087)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization and impairment charges	109,028	1,106,212	47,130
Acquired in-process research and development	-	14,100	59,300
Compensation and marketing expense for stock options and warrants	1,330	9,977	1,833
Provision for doubtful accounts receivable and billing adjustments	5,220	6,826	785
Gain on the sale of investment securities available for sale	(931)	(51,733)	-
Loss on sale of subsidiaries	53,186	-	-
Equity in net loss of affiliated company	61,900	-	-
Benefit for deferred income taxes	(3,007)	(5,006)	-
Changes in assets and liabilities, excluding the effects of divestitures and acquisitions, and other items	6,711	(53,410)	(13,998)
Net cash provided by (used in) operating activities	11,894	(150,712)	(30,037)
Cash flows from investing activities:			
Net cash (advanced) acquired in connection with acquisitions	(4,424)	5,310	31,440
Proceeds from sales of investment securities available for sale	1,044	54,671	-
Cash exchanged in sale of businesses	(15,073)	-	-
Investments in and advances to unconsolidated companies	-	(6,883)	-
Proceeds from payment on notes receivable	-	1,500	-
Purchases of property and equipment and purchased technology	(14,703)	(41,660)	(17,140)
Net cash (used in) provided by investing activities	(33,156)	12,938	14,300
Cash flows from financing activities:			
Proceeds from issuance of common and preferred stock, net of expenses	7,739	249,407	75,859
Payment on receivable from sale of stock	-	1,325	962
Payments on capital lease obligations and borrowings	(11,049)	(7,564)	(7,715)
Net cash (used in) provided by financing activities	(3,310)	243,168	69,106
Effect of exchange rate changes on cash and cash equivalents	(244)	22	(23)
Net (decrease) increase in cash and cash equivalents	(24,816)	105,416	53,346
Cash and cash equivalents at beginning of period	173,266	67,850	14,504
Cash and cash equivalents at end of period	\$ 148,450	\$ 173,266	\$ 67,850

These condensed consolidated financial statements should be read in conjunction with the full financial statements presented in our Annual Report on Form 10-K.

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF S1 CORPORATION

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of S1 Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2001 (not presented herein), appearing in the Annual Report on Form 10-K; and in our report dated March 21, 2002, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which they have been derived.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
March 21, 2002

S1 CORPORATE INFORMATION

ANNUAL MEETING

S1 Corporation will hold its Annual Meeting of Shareholders at 8:30 a.m. on May 23, 2002, at the JW Marriott Hotel, 3300 Lenox Road NE, Atlanta, Georgia.

STOCKHOLDER INFORMATION

Additional copies of this report and Form 10-K, as filed with the Securities and Exchange Commission, may be obtained by contacting S1 Investor Relations at +1 404.923.3500 or invest@S1.com.

INDEPENDENT AUDITORS

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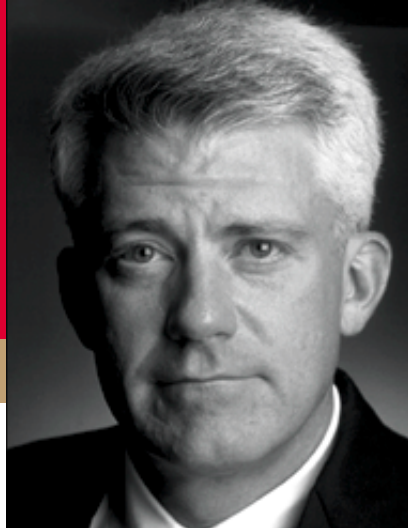
STOCK LISTING

S1's stock is traded on the Nasdaq National Market under the symbol "SONE."

S1 Corporation and S1 are trademarks of S1 Corporation. All other company and product names may be trademarks of their respective owners.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements and information relating to us, including our subsidiaries. These statements are based on our beliefs as well as assumptions made using information currently available to us. Because these statements reflect our current views concerning future events, they involve risks, uncertainties and assumptions. Therefore, actual results may differ significantly from the results discussed in the forward-looking statements. For a summary of significant risks, you should read the risk factors described under the caption "Risk Factors" in Item 1 of Part 1 of the Form 10-K for the year ended December 31, 2001. Except as required by law, we undertake no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available.



JAMES S. MAHAN, III
FOUNDER AND
CHAIRMAN OF THE BOARD
S1 CORPORATION

DIRECTORS

James S. Mahan, III
Chairman of the Board

Jaime W. Ellertson
Chief Executive Officer

David C. Hodgson
Managing Member, General Atlantic Partners, LLC

M. Douglas Ivester
President, Deer Run Investments, LLC
Chairman and CEO (Retired),
The Coca-Cola Company

Howard J. Runnion, Jr.
Vice Chairman of the Board and CFO (Retired)
Wachovia Corporation

Jackson L. Wilson, Jr.
Corporate Development Officer, Director
Accenture LTD

EXECUTIVE OFFICERS

James S. Mahan, III
Chairman of the Board

Jaime W. Ellertson
Chief Executive Officer

Matthew Hale
Chief Financial Officer

Peter P. Dunning
Executive Vice President and
General Manager, Americas



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