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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Central Bank of Savings Banks Finland Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Bank of Savings Banks Finland Plc (business identity code 2238752-5) for the year ended 31 December, 2018. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the bank's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the company in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 12 to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of receivables (loans and receivables from customers);
Notes to financial statements 2, 3, 4 and 14

— Central Bank of Savings Banks Finland adopted IFRS 9 *Financial Instruments* – standard on 1 January 2018. The adoption resulted in a shift from calculating impairments on an individual and collective basis to the expected credit loss models set out in IFRS 9. — The Calculation of expected credit losses is based on the valuation models used by the bank. The calculation of expected credit losses involves assumptions, estimates and management judgements for example in respect to the probability and amount of the expected credit losses as well as determining significant increases in credit risk. — Due to the significance of the carrying amount involved, adoption of the IFRS 9 – standard, complexity of the accounting methods and management judgement involved, receivables from customers are addressed as a key audit matter.	— We observed the impairment principles applied. Our audit procedures included testing of controls regarding determination and recording of expected credit losses on loans. — Our audit procedures included substantive procedures related to the technical appropriateness of the computations, such as recalculations. — Furthermore, we assessed the appropriateness of the note disclosures made in relation to receivables and impairment losses.

Revenue recognition of fee and commission income (Fee and commission income and expense, net);
Notes to financial statements 2 and 7

- The company provides centralized services related to payment services and credit card issuance which entitle to fee and commission income on the grounds of the signed agreements between certain parties. Fee and commission income comprises a significant amount of the company's earnings, amounting to € 10,7 million (fee and commission income and expense net).
- Fees and commissions income and expense are generally recognized on an accrual basis.
- Calculation of fee and commission income has been primarily automatized.

- We observed the revenue recognition principles applied.
- Our audit procedures included testing of controls regarding revenue recognition of fee and commission income.
- Furthermore, we assessed the appropriateness of the note disclosures made in relation to fee and commission income.

Deferred tax asset from tax losses – measurement;
Notes to financial statements 2, 3 and 23

- The deferred tax asset recognized for the carryforward of unused tax losses, amounting to € 1,0 million, is based on the management estimate on future taxable profit considered probable, against which the unused tax losses can be utilized. Utilization of the deferred tax asset involves a risk that business and profitability may not develop in line with the company's initial forecasts
- Due to uncertainty related to management forecasts the deferred tax asset is addressed as a key audit matter.

- We assessed the management forecasts related to the amount of probable future taxable profit. We also tested the technical accuracy of the calculations.
- We analyzed the key assumptions used in respect of the development of business and profitability. We also analyzed the appropriateness of the key assumptions.
- Furthermore, we assessed the appropriateness of the note disclosures made in relation to deferred tax asset.

Valuation of derivative instruments;
Notes to financial statements 2, 8 and 19

- Central Bank of Savings Banks Finland hedges its interest rate risk from changes in

- We assessed the appropriateness of the measurement principles applied and the fair value and applies hedge accounting to hedging relationships. For hedging relationships under general hedge accounting, the bank has adopted IFRS 9.

— At year-end the nominal value of derivatives is significant, amounting to € 515 million. As derivatives are measured at fair value in preparing financial statements, this may result in significant volatility in the income statement.

— Fair values for the derivatives used by the company are not directly observable in an active market, instead the company determines fair values using applicable fair value models.

compliance with the applicable financial reporting standards.

— We also considered the accuracy of the fair values determined.

— Furthermore, we assessed the appropriateness of the note disclosures made in relation to derivatives.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and that financial statements comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 19 March 2015, and our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 5 February, 2019

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PETRI KETTUNEN
Authorised Public Accountant, KHT