

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC

# HALF-YEAR REPORT FOR 1 JANUARY – 30 JUNE 2020



Central Bank  
of Savings Banks

# HALF-YEAR REPORT FOR 1 JANUARY – 30 JUNE 2020

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# BOARD OF DIRECTORS' REPORT FOR 1 JANUARY – 30 JUNE 2020

Central Bank of Savings Banks Finland Plc (hereinafter "SB Central Bank") is a bank owned by Finnish savings banks. Its main purpose is to provide savings banks and the Savings Banks Group with various central credit institution services. The central credit institution services include payment services and account operator services, payment card issuing for the customers of the member Savings Banks (hereinafter also "Savings Banks") of the Amalgamation, and services related to liquidity management, funding and asset and liability management. SB Central Bank is part of the Savings Banks Amalgamation.

During the review period SB Central Bank's focus has been maintaining and developing of the functions. The COVID-19 pandemic, which started in the beginning of the year, had no significant impacts on SB Central Bank's profit.

SB Central Bank's operating profit for January-June amounted to EUR 1.6 million, and the balance sheet total amounted to EUR 2,801 million.

## The Savings Banks' Group and Amalgamation of Savings Banks

SB Central Bank is part of the Savings Banks Group and the Savings Banks Amalgamation, and its financial statements are consolidated into Savings Banks Group's consolidated financial statements.

The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks.

The member organizations of the Savings Banks Amalgamation (hereinafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 19 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, as well as the companies within the consolidation groups of the above-mentioned entities, Sp-Fund Management Company Ltd and Savings Bank Services Ltd. During the review period, a merger between the Savings Banks was executed. Huittisten Säästöpankki merged to Aito Säästöpankki. As a result of the merger, the number of Savings Banks belonging to the Amalgamation and to the Group reduced from 20 banks to 19 banks. The structure of the Group differs from that of the Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant of these are Sp-Life Insurance Ltd and Sp-Koti Ltd.

Additional information on the group structure of the Savings Banks Group is available online at [www.saastopankki.fi/saastopankkiryhma](http://www.saastopankki.fi/saastopankkiryhma).

## Description of the operational environment

### Global economic outlook

The year 2020 started in an atmosphere of emerging economic optimism. The International Monetary Fund (IMF) predicted

that the global economy would grow by 3.3 per cent in 2020, in other words: slightly more than last year. However, during the first weeks of the year, the entire world became aware of the coronavirus that was spreading in China and leading to movement restrictions and the plummeting of economic activity. At the early stages of the spread of the disease, it was believed that the coronavirus epidemic would be limited to China and its global effects would primarily consist of production disturbances as many companies or their subcontractors have production in China.

When the virus started spreading elsewhere, it became evident that this was a global pandemic and the economic outlook collapsed at an unprecedentedly fast rate. The shock was particularly severe because it had a strong impact on both supply and demand nearly simultaneously all around the world. To prevent the spread of the virus, restrictions were placed on people's movement and social contacts. Fear of the disease in itself made consumers cautious. In some countries, factories were closed down but, generally speaking, the field that was hit especially hard by the economic shock was the service sector.

In May-June, the lifting of economy-related restrictions had begun in different parts of the world and economic recovery is taking its first cautious steps. The situation is still fragile and the greatest risk is the potential second wave of the virus. As a whole, the global economy is expected to decline by 5-6 per cent this year. The current estimate is that the worst shock in economy occurred in the second quarter of the year and economies are expected to recover towards the end of the year. However, reaching the starting level will take longer due to the fierceness of the decline.

The euro zone economy entered the coronavirus crisis on a rather fragile foundation: in 2019, the zone's economic growth slowed down to 1.3 per cent. The euro zone economy has suffered drastically from the coronavirus pandemic. However, the situation varies greatly from country to country. Italy, with its already weak economy, was hit particularly hard by the coronavirus. The effect of the lifting of restrictions has already been visible as the first signs of recovery also in the euro zone.

As a result of the coronavirus crisis, the economies in the euro zone have launched massive fiscal stimulus programmes, with the aim of helping companies and households overcome the shock caused by the coronavirus and boosting demand after the economies re-open. The European Central Bank has also played an active role and supported the financial market with its measures. The indebtedness rates of the euro zone countries are rising quickly this year. As a whole, the euro zone economy is expected to decline by approximately 7 per cent this year.

The United States faced the coronavirus crisis in a state of clearly faster economic growth than the euro zone, although the growth was slowing down. The unemployment rate had reached a record-low level, under 4 per cent. The coronavirus spread to the United States later than to Europe but the number of coronavirus cases grew rapidly. Like other countries, the United States started to close down its economy, which led to a dramatic decline especially in the service sector and labour market. In a couple of months, the USA's unemployment rate rose from the record-low level to nearly 15 per cent. As usual, the US Federal Reserve took brisk action to ensure the functionality of the financial market, in addition to which



fiscal stimulus has been massive. In the United States, too, the indicators forecasting future economic development have taken an upward turn in May-June. As a whole, the US GDP is expected to decline by approximately 6 per cent this year.

#### **Interest rate environment**

Interest rates remained at a very low level in the euro zone during the review period. Short-term interest rates rose slightly in March-April as nervousness in the financial market increased, but the situation has calmed down since then. The Euribor interest rates have remained negative and it is expected that the era of negative short-term interest rates will continue for an extended period of time. The coronavirus crisis has only reinforced this view. The risk of accelerating inflation over a short term is very low.

During the review period, relatively significant fluctuation could also be witnessed in long-term interest rates. Germany's 10-year interest rate rose in May but has come down since then. The difference of the government bond interest rates of the South European countries, especially Italy and Greece, when compared to Germany increased rapidly in March but has then decreased.

#### **Investment markets**

In the first half of 2020, there was a very strong decline in share prices due to the pandemic. The credit risk margins of corporate bonds also increased as investors sought safe havens when their risk appetites decreased. The collapse of investment markets started from Asia, where the restrictions introduced due to the coronavirus brought economic activity to a standstill. In Europe and the United States, the decline of share prices began in

February and expanded quickly to emerging markets, too. The exceptionally intensive stimulus programmes of central banks and the public sector returned investor confidence, although economic indicators continued to decline at the same time. From the perspective of investment markets, the second quarter was strong and recovery could be seen in all asset categories. In many stock market sectors, share prices returned to their early-year levels and investor demand in corporate bond markets strengthened until it reached the pre-crisis level.

#### **The Finnish economy**

Similarly to other countries of the world, the outlook of the Finnish economy has clearly deteriorated due to the coronavirus crisis. The hardest blow can be seen in the figures for the second quarter. However, the April statistics on retail trade and industrial production, for instance, seem to indicate that the Finnish economy has suffered from the coronavirus shock less than other economies on average.

The greatest decline occurred in the service sector, where activity decreased dramatically in April-May and many employees were laid off temporarily. Instead, industrial production has clearly declined less. Unlike in some countries, any major closing down of factories was not necessary in Finland. As restrictions have been lifted, the situation in the service sector has already improved and consumption is returning to the early-year level. On the other hand, in industry, the worst phase is expected to take place only later this year as the weakness of the global economy keeps export demand at a low level and general uncertainty leads to cautiousness in companies. The Finnish economy is expected to decline by 6-7 per cent this year.



## Financial position

### Financial highlights

(EUR 1,000)	6/2020	12/2019	6/2019
Revenue	23,392	47,351	24,617
Net interest income	3,381	6,936	4,170
% of revenue	14.5 %	14.6 %	16.9 %
Operating profit	1,561	2,275	3,606
% of revenue	6.7 %	4.8 %	14.6 %
Total operating revenue	11,976	21,971	12,698
Total operating expenses*	-9,854	-18,727	-8,901
Cost to income ratio	0,8	0,9	0,7
Total assets	2,800,638	2,161,047	2,763,389
Total equity	84,470	83,906	84 718
Return on equity %	1.6 %	2.9 %	4.2 %
Return on assets %	0.05 %	0.08 %	0.11 %
Equity/assets ratio %	3.0 %	3.9 %	3.1 %
Solvency ratio %	32.8 %	46.8 %	46.6 %
Impairment losses on loans and other receivables	-562	-969	-191

### Profit trends (comparison figures 1–6/2019)

SB Central Bank's operating profit for the review period 1–6/2020 decreased compared with comparison period and amounted to EUR 1.6 million and 6.7 % of revenue (EUR 3.6 million and 14.6 %, respectively, for the comparison period 1–6/2019).

SB Central Bank's operating revenue for the review period reduced by 6 % and amounted to EUR 12.0 (12.7) million. Of the operating revenue, net interest income was EUR 3.4 (4.2) million, net fee and commission income EUR 5.7 (5.4) million, and other operating incomes EUR 2.9 (3.1) million.

Interest income decreased by 15 % to EUR 9.1 (10.7) million. The most significant items of the interest income were interest income from credit institutions and card credits of private customers. Also interest expenses decreased by 12 % to EUR 5.8 (6.5) million. The most significant items of the interest expenses consisted of interest expenses from debts to credit institutions and issued bonds. The fair value hedging carried out to mitigate the interest rate risk improved the net interest income by EUR 0.4 (0.7) million. Net interest income in the review period was affected by increased cost of wholesale funding, which is due to partly inoperative financial markets caused by COVID-19 pandemic. The negative interest rate on central bank deposits has additional encumbrance to SB Central Bank's net interest income.

Fee and commission income increased from the comparison period with 5 % and were in the reporting period EUR 11.3 (10.8) million. Fee and commission expenses grew by 5 % to EUR 5.6 (5.4) million. The growth in fee and commission income from the payment services contributed the most significant item of the 5 % increase in net fee and commission income.

Other operating income were EUR 2.3 (3.0) million and consisted during the reporting period of income from other incomes related to payment card issuing and service fees based on service agreements produced for the Savings Banks Group.

Operating expenses increased by 11 percent during the review period and were EUR 9.9 (8.9) million. Personnel expenses consisted of salaries, as well as pension expenses and other personnel expenses. These expenses totaled EUR 2.4 (2.0) million. Other administrative expenses increased by 3 % to EUR 6.0 (5.8) million. Depreciation and amortisation of property, plant and equipment and intangible assets increased and were EUR 0.5 (0.3) million. During the review period EUR 0.6 (0.2) million of expected credit losses (ECL). The increase was caused mainly by Covid-19 Pandemic. Investments in the development of operations contributed to the growth in expenses. The cost to income ratio decreased by 17 % to 0.8 (0.7).

### Balance sheet and financing (comparison figures 31 December 2019)

SB Central Bank's balance sheet increased and was EUR 2.801 million on 30 June 2020 (EUR 2,161 million on 31 December 2019). Loans granted to Savings Banks in the Amalgamation and Sp Mortgage Bank Plc increased by 11 % totaling to EUR 1,403 (1,259) million at the end of the review period.

Loans to credit card holders amounted to EUR 94 (100) million, representing the most significant part of loans and advances to customers. In the end of review period, SB Central Bank's non-performing credit card receivables remained almost at same level and were EUR 0.9 (0.9) million, representing 0.9 % (0.9 %) of all credit card receivables.

Liabilities to customers consisted mainly of deposits from governments, multinational organisations and foreign funds. These deposits grew significantly totaling to EUR 408 (50) million.

During the review period SB Central Bank issued private placement based debentures with variable maturities, amounting to EUR 286 million, under the EMTN programme listed on the

Irish Stock Exchange. During the review period, SB Central Bank's bond of EUR 500 million was matured.

SB Central Bank's equity was EUR 84 million showing an increase of 1 %. The change is due to profit of the reporting period and decreased fair value of Stockmann Plc's commercial paper EUR 5 million which is included in investment assets. Stockmann Plc's request for debt restructuring was approved 8th April 2020. SB Central Bank's management has estimated that receivable's fair value has decreased by 30 % amounting to EUR 1.5 million. Due to uncompleted debt restructuring and uncertainty of receivable. Return on equity was 1.6 % (2.9 %). Return on assets was 0.1 % (0.1 %).

## Capital adequacy and risk position

### Capital adequacy (comparative information 31 December 2019)

SB Central Bank's capital adequacy is strong and exceeds clearly regulatory minimum and buffer requirements. Own funds consists wholly of CET1 capital and totalled EUR 75.4 million (EUR 76.4 million) at the end of the review period. Changes in equity are described above in section Balance sheet and financing. Risk-weighted assets were EUR 230,0 (163.3) million, that is 41 % bigger than in the end of the year 2019. The increase was caused mainly by the increase in corporate liabilities. SB Central Bank's capital ratio was 32.8 % (46.8 %) and CET1 capital ratio was 32.8 (46.8) at the end of the review period.

The capital requirement of SB Central Bank was EUR 24.1 million (EUR 17.1 million) that equals to 11 % of risk-weighted assets. The components of the capital requirement have remained unchanged compared to the previous year. The capital requirement is formed by:

- Minimum capital requirements set by Capital Requirement Regulation (CRR) (capital ratio of 8 %),
- 2.5 % CET1 capital conservation buffer of according to the Act on Credit Institutions and
- the country-specific countercyclical CET1 capital requirements of foreign exposures.

Finnish Financial Supervisory Authority made decision on pillar 2 requirement for the Savings Bank Amalgamation on 4 July 2019 and it came into force on 31 March 2020. As a result pillar 2 requirement for the Savings Bank Amalgamation increased from 0.5 % to 1.25 % of total risk amount. The requirement percentage is based on the methodology of SREP (Supervisory Review and Evaluation Process) for LSI banks from ECB, where the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. The requirement shall be met at the amalgamation level with CET1 capital. The requirement is valid maximum 3 years until 31 March 2023.

The Finnish Financial Supervisory Authority is responsible for domestic macro prudential decision making after hearing the Bank of Finland, Ministry of Finance and Ministry of Social Affairs and Health. Decisions on the activation of macro prudential instruments are taken on a quarterly basis expect for decisions on O-SII buffers, risk weights for loans secured by mortgages on immovable property (CRR Article 124 and 164) and systematic risk Buffer. Decisions on the activation of these instruments have taken at least once a year.

At its meeting on 6 April 2020, the Board of the Financial Supervisory Authority decided to remove the systemic risk buffer, which lowered the Saving Bank Amalgamation's capital requirement by one percentage point. The aim of the decision is to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy.

At its meeting on 29 June 2020, the Board of the Financial Supervision Authority decided not to impose countercyclical buffer requirement (CCyB) on credit institutions, and therefore CCyB re-mained at zero. CCyB can vary from 0-2.5 % of risk weighted assets. FIN-FSA did not impose additional O-SII capital requirement for Savings Banks Amalgamation.

Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions.

The standard method is used to calculate the capital requirement of the credit risk of the SB Central Bank. The capital requirement to the operational risk is calculated by the basic method. SB Central Bank has published the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Half-year report.

SB Central Bank's capital adequacy information is included in the consolidated financial statements of the Savings Banks Amalgamation. The Savings Banks Group publishes the Pillar III capital adequacy information separately at the same time with its financial statements. The Savings Banks Group's financial statements and Pillar III information are available online at [www.saastopankki.fi](http://www.saastopankki.fi).

## Capital adequacy

Own Funds (EUR 1,000)	30.6.2020	31.12.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	84,470	83,906
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-9,046	-7,477
<b>Common Equity Tier 1 (CET1) capital</b>	<b>75,424</b>	<b>76,429</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>75,424</b>	<b>76,429</b>
<b>Total capital (TC = T1 + T2)</b>	<b>75,424</b>	<b>76,429</b>
<b>Risk weighted assets</b>	<b>229,994</b>	<b>163,251</b>
of which: credit and counterparty risk	183,808	121,604
of which: credit valuation adjustment (CVA)	5,468	973
of which: market risk	2,241	2,199
of which: operational risk	38,476	38,476
<b>Common Equity Tier 1 (as a percentage of total risk exposure amount)</b>	<b>32.8</b>	<b>46.8</b>
<b>Tier 1 (as a percentage of total risk exposure amount)</b>	<b>32.8</b>	<b>46.8</b>
<b>Total capital (as a percentage of total risk exposure amount)</b>	<b>32.8</b>	<b>46.8</b>
<b>Capital requirement</b>		
Total capital	75,424	76,429
Capital requirement total*	24,149	17,141
Capital buffer	51,275	59,288

\* The capital requirement is formed by the statutory minimum capital adequacy requirement of 8 %, the capital conservation buffer of 2.5 % according to the Act on Credit Institutions, and the country-specific counter-cyclical capital requirements of foreign exposures.

## Leverage ratio

The leverage ratio of SB Central Bank was 2.6 (3.4) %. The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Bank's Tier 1 capital to total liability. The SB Central Bank monitors the indebtedness as part of the ICAAP process.

(EUR 1,000)	30.6.2020	31.12.2019
Tier 1 capital	75,424	79,429
Leverage ratio exposure	2,866,057	2,252,851
<b>Leverage ratio</b>	<b>2.6</b>	<b>3.4</b>

## Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis resolution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). Financial Stability Authority decided in August 2019 that the MREL requirement applicable for Savings Banks Amalgamation is 10.3 percentage of total liabilities and own funds. The requirement will not be directed at the member credit institutions, Sp Mortgage bank nor at the SB Central Bank. The MREL requirement is in nature a Pillar 2 -type continuously required minimum requirement.

## Risk management

Due to the exceptional uncertainty prevailing in the review period regarding future development, there is great uncertainty associated with forecasts, valuations and credit portfolio analyses, which may have an impact on the SB Central Bank's expected credit losses. The objectives, principles and organization of risk management in SB Central Bank are the same as those presented in the 2019 financial statements.

## Credit rating

S&P Global Ratings (S&P) changed SB Central Banks outlook to negative in May 2020. At the same time long-term counterparty credit rating was affirmed to 'A-' and short-term investment grade to 'A-2'. The previous S&P's rating report was from April 2017.

## Significant events after the interim report date

The Board of Directors of SB Central Bank is not aware of any factors that would materially influence the financial position after the interim report date.

## Outlook for the year

SB Central Bank's result before tax is expected to be profitable. There is a significant uncertainty with result development because of possible further impacts of the COVID-19 pandemic.

## Further information

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The figures presented in the half-year report are unaudited.

Releases and other corporate information are available on the SB Central Bank's website at [www.spkeskuspankki.fi](http://www.spkeskuspankki.fi)

The corresponding information on Savings Banks Group is available online at [www.saastopankki.fi](http://www.saastopankki.fi).



#### Formulas used in calculating the financial highlights:

<b>Revenues:</b>	Interest income, fee income, net trading income, other operating revenue
<b>Total operating revenue:</b>	Net interest income, net fee and commission income, net trading income, other operating revenue
<b>Total operating expenses:</b>	Personnel expenses, other operating expenses, depreciation and amortisation of property, plant and equipment and intangible assets

#### Cost to income ratio:

Total operating expenses

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Total operating revenue

#### Return on equity %:

Profit \* 100

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Equity, incl. non-controlling interests (average)

#### Return on assets %:

Profit \* 100

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Total assets (average)

#### Equity/assets ratio %:

Equity (incl. non-controlling interests) \* 100

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Total assets

#### Solvency ratio, %:

Own Funds total \* 100

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Risk-weighted assets total

#### Alternative Performance Measures

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2017. An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the IFRS framework. Alternative Performance Measures are used to reflect financial development and enhance comparability between different reporting periods.

SB Central Bank is not using any alternative performance measures that are not directly calculated using the information presented in the half-year report, nor have any changes occurred in the financial highlights.

# HALF-YEAR REPORT (IFRS)

## Income statement

(EUR 1,000)	Note	1-6/2020	1-6/2019
Interest income		9,155	10,712
Interest expense		-5,774	-6,542
Net interest income	4	3,381	4,170
Net fee and commission income	5	5,669	5,417
Net trading income		581	92
Other operating revenue		2,345	3,019
<b>Total operating revenue</b>		<b>11,976</b>	<b>12,698</b>
Personnel expenses		-2,411	-1 978
Other operating expenses		-6,977	-6 665
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-467	-259
<b>Total operating expenses</b>		<b>-9,854</b>	<b>-8,901</b>
Net impairment loss on financial assets	6	-562	-191
<b>Operating profit</b>		<b>1,561</b>	<b>3,606</b>
Income tax expense		-252	-717
<b>PROFIT</b>		<b>1,309</b>	<b>2,888</b>

## Statement of comprehensive income

(EUR 1,000)	1-6/2020	1-6/2019
<b>Profit</b>	<b>1,309</b>	<b>2,888</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that are or may be reclassified to profit or loss</b>		
Changes in fair value reserve		
Fair value measurements	-744	384
<b>Total</b>	<b>-744</b>	<b>384</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>564</b>	<b>3,272</b>

## Statement of financial position

(EUR 1,000)	Note	30.6.2020	31.12.2019
<b>ASSETS</b>			
Cash and cash equivalents		1,089,038	666,315
Loans and advances to credit institutions	8	1,488,415	1,346,030
Loans and advances to customers	8	92,970	101,390
Derivatives	9	667	1,248
Investment assets	10	63,052	28,953
Property, plant and equipment		192	225
Intangible assets		8,567	6,814
Tax assets		1,087	1,052
Other assets		56,650	9,020
<b>TOTAL ASSETS</b>		<b>2,800,638</b>	<b>2,161,047</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	11	1,210,667	788,232
Liabilities to customers	11	408 392	50,040
Derivatives	9	407	1,090
Debt securities issued	12	1,089,108	1,226,901
Tax liabilities		332	230
Other liabilities		7,263	10,649
<b>Total liabilities</b>		<b>2,716,168</b>	<b>2,077,141</b>
<b>Equity</b>			
Share capital		68,344	68,344
Reserves		19,176	19,920
Retained earnings		-3,050	-4,359
<b>Total equity</b>		<b>84,470</b>	<b>83,906</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,800,638</b>	<b>2,161,047</b>

## Statement of cash flows

(EUR 1,000)	1-6/2020	1-6/2019
<b>Cash flows from operating activities</b>		
Profit	1,309	2,888
Adjustments for items without cash flow effect	-197	349
Change in deferred tax	252	717
<b>Cash flows from operating activities before changes in as-sets and liabilities</b>	<b>1,364</b>	<b>3,954</b>
<b>Increase (-) or decrease (+) in operating assets</b>	<b>-218,760</b>	<b>492,520</b>
Loans and advances to credit institutions	-143,707	502,115
Loans and advances to customers	8,684	-7,190
Investment assets, at fair value through other comprehensive income	-54,258	-4,437
Investment assets, at amortized cost	18,151	161
Other assets	-47,630	1,871
<b>Increase (-) or decrease (+) in operating liabilities</b>	<b>640,762</b>	<b>-2,472</b>
Liabilities to credit institutions	422,435	25,504
Liabilities to customers	358,352	86,488
Debt securities issued	-136,611	-114,064
Other liabilities	-3,415	-400
<b>Total cash flows from operating activities</b>	<b>423,366</b>	<b>494,002</b>
<b>Cash flows from investing activities</b>		
Investments in property, plant and equipment and intangible assets	-1,253	-1,952
Disposals of investment property and property, plant and equipment and intangible assets	-	42
<b>Total cash flows from investing activities</b>	<b>-1,253</b>	<b>-1,910</b>
<b>Cash flows from financing activities</b>		
Increase in share capital	-	28,345
<b>Total cash flows from financing activities</b>	<b>-</b>	<b>28,345</b>
<b>Change in cash and cash equivalents</b>	<b>422,112</b>	<b>520,437</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,355,709</b>	<b>835,272</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,102,245</b>	<b>1,355,709</b>
<b>Cash and cash equivalents comprise the following items:</b>		
Cash	1,089,038	1,347,937
Receivables from central banks repayable on demand	13,207	7,772
<b>Total cash and cash equivalents</b>	<b>1,102,245</b>	<b>1,355,709</b>
Interest received	12,638	13,612
Interest paid	9,291	8,982

## Statement of changes in equity

(EUR 1,000)	Share capital	Share premium	Fair value reserve	Total reserves	Retained earnings	Total equity
<b>Equity 1 January 2019</b>	<b>40,000</b>	<b>19,000</b>	<b>414</b>	<b>19,414</b>	<b>-6,312</b>	<b>53,101</b>
Comprehensive income						
Profit					1,954	1,954
Other comprehensive income			506	506		506
<b>Total comprehensive income</b>			<b>506</b>	<b>506</b>	<b>1,954</b>	<b>2,460</b>
Transactions with owners						
Subscription issue	28,345					28 345
<b>Total equity 31 December 2019</b>	<b>68,344</b>	<b>19,000</b>	<b>920</b>	<b>19,920</b>	<b>-4,359</b>	<b>83,906</b>
<b>Equity 1 January 2020</b>	<b>68,344</b>	<b>19,000</b>	<b>920</b>	<b>19,920</b>	<b>-4,359</b>	<b>83,906</b>
Comprehensive income						
Profit					1,309	1,309
Other comprehensive income			-744	-744		-744
<b>Total comprehensive income</b>			<b>-744</b>	<b>-744</b>	<b>1,309</b>	<b>564</b>
<b>Total equity 30 June 2020</b>	<b>68,344</b>	<b>19,000</b>	<b>176</b>	<b>19,176</b>	<b>-3,050</b>	<b>84,470</b>



# BASIS OF PREPARATION

## NOTE 1. INFORMATION ON THE REPORTING COMPANY AND DESCRIPTION OF THE SAVINGS BANKS GROUP



Central Bank of Savings Banks Finland Plc (hereinafter "SB Central Bank") is a depository bank owned by Finnish Savings Banks. SB Central Bank's primary function is to provide the savings banks and the Savings Banks Group with various central credit institution services. The central credit institution services include payment services and account operator services, payment card issuing for the customers of the member Savings Banks of the Amalgamation, and services related to liquidity management, funding and asset and liability management. SB Central Bank belongs to the Savings Banks Group and its principal owners are the 19 Savings Banks of the Amalgamation and one Savings Bank outside the Amalgamation.

SB Central Bank's financial statements are consolidated into Savings Banks Group's consolidated financial statements.

The Savings Banks Group (hereinafter Group) is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks.

The member organizations of the Savings Banks Amalgamation (hereinafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 19 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, as well as the companies within the consolidation groups of the above-mentioned entities, Sp-Fund Management Company Ltd and Savings Bank Services Ltd. During the review period, a merger between the Savings Banks was executed. Huittisten Säästöpankki merged to Aito Säästöpankki. As a result of the merger, the number of Savings Banks belonging to the Amalgamation and to the Group reduced from 20 banks to 19 banks. The structure of the Group differs from that of the Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant of these are Sp-Life Insurance Ltd and Sp-Koti Ltd.

## NOTE 2. ACCOUNTING POLICIES

### 1. Overview

SB Central Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Changes in accounting policies during the financial year are described below. A complete description of the accounting policy can be found in the notes to the financial statements of 2019.

The figures presented in the half-year report are unaudited.

SB Central Bank's half-year report is presented in euros, which is the Bank's functional currency.

SB Central Bank will publish one interim report during the year 2020.

SB Central Bank's financial statements and half-year reports are available at the website [www.spkeskuspankki.fi](http://www.spkeskuspankki.fi) or at the premises, address Teollisuuskatu 33, FI-00510 Helsinki. SB Central Bank's registered office is Helsinki.

The Group's financial statements and half-year reports are available at the website [www.saastopankki.fi/saastopankkiryhma](http://www.saastopankki.fi/saastopankkiryhma) or at the premises of Savings Banks' Union Coop, address Teollisuuskatu 33, FI-00510 Helsinki.

### 2. Critical accounting estimates and judgements

IFRS-compliant financial statements require SB Central Bank's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the financial statements.

The critical estimates of SB Central Bank concern the future and key uncertainties related to estimates at the reporting date, and

they relate in particular to determining fair value, impairment of financial assets and recognition of deferred tax on confirmed tax losses.

In the review period 1 January-30 June 2020, the most significant uncertainty influencing the management's estimates has been the prevailing coronavirus (COVID-19) pandemic. There is considerable uncertainty associated with estimating the financial effects of the coronavirus pandemic, influencing especially the determination of financial assets' expected credit losses (ECL). The SB Central Bank's ECL calculation models contain several factors that require the management's judgment. The most significant factors requiring the management's judgment for the review period are listed below:

- The ECL calculation model takes into account the Savings Banks Group's forecasts of future economic development. The forecasts contain macroeconomic factors, such as the development of unemployment, GDP and housing prices, which are used in the calculation. The Savings Banks Group updated the macroeconomic factors and scenarios used in the ECL calculation model during the first half of 2020 before the outbreak of the coronavirus pandemic. The exceptional uncertainty prevailing in the review period regarding future development and the poorer forecast accuracy of macroeconomic forecast models have required an increasing amount of the management's judgment and estimates.
- The ECL calculation model is used without the management's judgment, but the exceptional uncertainty prevailing in the review period regarding future development has required the management's judgment especially in the analysis of major liabilities in Stage 3 and the determination of the ECL amount.

The management's estimates are based on the information that was available at the time of reporting. As a result of the exceptional uncertainty prevailing in the review period regarding future development, there is great uncertainty associated with forecasts, valuations and credit portfolio analyses, which may have a significant impact on the Savings Banks Group's expected credit losses.

## NOTE 3. SEGMENT INFORMATION

SB Central Bank's management reviews the performance of the company as one individual segment and therefore separate segment information, as defined in IFRS 8, is not presented.

# PROFIT FOR THE PERIOD

## NOTE 4. NET INTEREST INCOME

(EUR 1,000)	1-6/2020	1-6/2019
<b>Interest income</b>		
Debts eligible for refinancing with Central Bank	143	125
Loans and advances to credit institutions	3,443	5,348
Loans and advances to customers*	3,363	3,263
Debt securities	13	26
Derivative contracts		
Hedging derivatives	1 650	1,606
Other**	542	345
<b>Total</b>	<b>9,155</b>	<b>10,712</b>
<b>Interest expense</b>		
Liabilities to credit institutions***	-1,463	-1,711
Liabilities to customers	-53	-57
Derivative contracts		
Hedging derivatives	-1,299	-953
Debt securities issued	-2,959	-3,821
Other	0	0
<b>Total</b>	<b>-5,774</b>	<b>-6,542</b>
<b>Net interest income</b>	<b>3,381</b>	<b>4,170</b>

\* of which interest income from loans in stage 0 2

\*\* Other interest income is made up of interest charges and limit commission based on account agreements.

\*\*\* The interest expense from Liabilities to credit institutions is largely made up of the negative interest on central bank deposits.

## NOTE 5. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2020	1-6/2019
<b>Fee and commission income</b>		
Lending	7,370	7,418
Payment transfers	2,713	2,267
Securities	942	800
Other	287	309
<b>Total</b>	<b>11,312</b>	<b>10,794</b>
<b>Fee and commission expense</b>		
Payment transfers	-1,339	-1,401
Securities	-320	-253
Other*	-3,983	-3,724
<b>Total</b>	<b>-5,642</b>	<b>-5,377</b>
<b>Net fee and commission in-come</b>	<b>5,669</b>	<b>5,417</b>

\*of which the most significant expenses are expenses related to granting loans.

## NOTE 6. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Expected Credit Losses (ECL), Loans and advances to customers and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
<b>Expected Credit Losses 1 January 2020</b>	<b>186</b>	<b>265</b>	<b>911</b>	<b>1 363</b>
Transfers to Stage 1	7	-49	0	-42
Transfers to Stage 2	-8	112	-3	102
Transfers to Stage 3	-1	-59	751	691
New assets originated or purchased	6	5		10
Assets derecognised or repaid	-3	-25	-45	-72
Amounts written off			-667	-667
Change in credit risk without change in Stage	14	12	14	40
Manual corrections, on credit level	1	-2	-51	-53
<b>Net change in ECL</b>	<b>16</b>	<b>-7</b>	<b>-1</b>	<b>9</b>
<b>Expected Credit Losses 30 June 2020</b>	<b>203</b>	<b>259</b>	<b>910</b>	<b>1,372</b>

Expected Credit Losses (ECL), Loans and advances to credit institutions and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
<b>Expected Credit Losses 1 January 2020</b>	<b>215</b>			<b>215</b>
New assets originated or purchased	129			129
Assets derecognised or repaid	-69			-69
<b>Net change in ECL</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>60</b>
<b>Expected Credit Losses 30 June 2020</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>275</b>



Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2020	395	-	-	395
New assets originated or purchased			186	186
Assets derecognised or repaid	-360			-360
<b>Net change in ECL</b>	<b>-360</b>	<b>-</b>	<b>186</b>	<b>-174</b>
Expected Credit Losses 30 June 2020	35	-	186	220
<b>Expected Credit Losses 30 June 2020 total</b>	<b>512</b>	<b>259</b>	<b>1,096</b>	<b>1,867</b>
<b>Net change in ECL 1.1.-30.6.2020: loans and advances, off-balance sheet and investment assets</b>	<b>-284</b>	<b>-7</b>	<b>185</b>	<b>-105</b>

Expected Credit Losses (ECL), Loans and advances to customers and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	174	314	820	1,308
Transfers to Stage 1	4	-23		-19
Transfers to Stage 2	-11	147		136
Transfers to Stage 3	-1	-33	859	825
New assets originated or purchased	26	10	139	175
Assets derecognised or repaid	-7	-148		-155
Amounts written off			-907	-907
<b>Net change in ECL</b>	<b>12</b>	<b>-48</b>	<b>91</b>	<b>55</b>
Expected Credit Losses 31 December 2019	186	265	911	1,363

Expected Credit Losses (ECL), Loans and advances to credit institutions and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	259			259
New assets originated or purchased	16			16
Assets derecognised or repaid (excluding write offs)	-60			-60
<b>Net change in ECL</b>	<b>-45</b>			<b>-45</b>
Expected Credit Losses 31 December 2019	215			215

Expected Credit Losses (ECL), Investment asset (EUR 1,000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected Credit Losses 1 January 2019	343			343
New assets originated or purchased	97			97
Assets derecognised or repaid (excluding write offs)	-45			-45
Net change in ECL	52	-	-	52
Expected Credit Losses 31 December 2019	395	-	-	395
Expected Credit Losses 31 December 2019 total	796	265	911	1 972
Net change in ECL 1.1.-31.12.2019: loans and advances, off-balance sheet and investment assets	20	-48	998	969

# ASSETS

## NOTE 7. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.6.2020 (EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
Cash and cash equivalents			1,089,038	1,089,038
Loans and advances to credit institutions	1,488,415			1,488,415
Loans and advances to customers	92,970			92,970
Derivatives				
hedging derivatives			667	667
fair value			667	667
Investment assets	6,967	56,085		63,052
<b>Total assets</b>	<b>1,588,352</b>	<b>56,085</b>	<b>1,089,705</b>	<b>2,734,142</b>
Liabilities to credit institutions	1,210,667			1,210,667
Liabilities to customers	408,392			408,392
Derivatives				
hedging derivatives			407	407
fair value			407	407
Debt securities issued	1,089,108			1,089,108
<b>Total liabilities</b>	<b>2,708,167</b>		<b>407</b>	<b>2,708,574</b>

  

31.12.2019 (EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
Cash and cash equivalents			666,315	666,315
Loans and advances to credit institutions	1,346,030			1,346,030
Loans and advances to customers	101,390			101,390
Derivatives				
hedging derivatives			1,248	1,248
fair value			1,248	1,248
Investment assets	24,758	4,196		28,953
<b>Total assets</b>	<b>1,472,177</b>	<b>4,196</b>	<b>667,563</b>	<b>2,143,936</b>
Liabilities to credit institutions	788,232			788,232
Liabilities to customers	50,040			50,040
Derivatives				
hedging derivatives			1,090	1,090
fair value			1,090	1,090
Debt securities issued	1,226,901			1,226,901
<b>Total liabilities</b>	<b>2,065,172</b>		<b>1,090</b>	<b>2,066,262</b>

## NOTE 8. LOANS AND ADVANCES

(EUR 1,000) 30.6.2020	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
<b>Loans and advances to credit institutions</b>			
Deposits	85,263	-57	85,207
Loans and other receivables	1,403,411	-203	1,403,209
<b>Total</b>	<b>1,488,675</b>	<b>-259</b>	<b>1,488,415</b>
<b>Loans and advances to customers</b>			
<b>Tuotteittain</b>			
Used overdrafts	5	0	5
Credit cards	94,244	-1,280	92,965
<b>Total</b>	<b>94,249</b>	<b>-1,280</b>	<b>92,970</b>
<b>Loans and advances</b>	<b>1,582,924</b>	<b>-1,539</b>	<b>1,581,385</b>

(EUR 1,000) 31.12.2019	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
<b>Loans and advances to credit institutions</b>			
Deposits	86,197	-13	86,184
Loans and other receivables	1,260,027	-182	1,259,845
<b>Total</b>	<b>1,346,224</b>	<b>-194</b>	<b>1,346,030</b>
<b>Loans and advances to customers</b>			
Used overdrafts	2,683	-10	2,672
Credit cards	100,011	-1,293	98,717
<b>Total</b>	<b>102,693</b>	<b>-1,304</b>	<b>101,390</b>
<b>Loans and advances total</b>	<b>1,448,918</b>	<b>-1,498</b>	<b>1,447,420</b>

## NOTE 9. DERIVATIVES AND HEDGE ACCOUNTING

SB Central Bank hedges its interest rate risk against changes in fair value and applies hedge accounting on hedging relationships. Fair value hedging is applied to fixed interest rate funding transaction and to fixed-rate borrowing.

Changes in the fair value of the hedging derivatives are recognised in the income statement under Net trading income. When applying fair value hedging, also the hedged item is

measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair value of the hedged item are recognised in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under Net trading income. Interests arising from hedging derivatives are presented in interest expenses and income.

(EUR 1,000)	Nominal value / remaining maturity			Total	Fair value	
	less than 1 year	1 - 5 years	over 5 years		Assets	Liabilities
30.6.2020						
<b>Hedging derivative contracts</b>						
<b>Fair value hedging</b>						
Interest rate derivatives	20,000	30,000	108,000	158,000	667	407
<b>Total</b>	<b>20,000</b>	<b>30,000</b>	<b>108,000</b>	<b>158,000</b>	<b>667</b>	<b>407</b>

(EUR 1,000)	Nominal value / remaining maturity			Total	Fair value	
	less than 1 year	1 - 5 years	over 5 years		Assets	Liabilities
31.12.2019						
<b>Hedging derivative contracts</b>						
<b>Fair value hedging</b>						
Interest rate derivatives	470,000	35,000	30,000	535,000	1,248	1,090
<b>Total</b>	<b>470,000</b>	<b>35,000</b>	<b>30,000</b>	<b>535,000</b>	<b>1,248</b>	<b>1,090</b>





## NOTE 10. INVESTMENT ASSETS

(EUR 1,000)	30.6.2020	31.12.2019
<b>At fair value through other comprehensive income</b>		
Debt securities	53,844	1,997
Shares and participations	2,241	2,199
<b>Total</b>	<b>56,085</b>	<b>4,196</b>
<b>Amortised cost investments</b>		
Debt securities	7,001	25,152
Expected Credit Losses	-34	-394
<b>Total</b>	<b>6,967</b>	<b>24,758</b>
<b>Investment assets</b>	<b>63,052</b>	<b>28,953</b>

### Breakdown by issuer of quotation

30.6.2020 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at amortised cost	Total
Quoted			
From public entities		6,967	6,967
From others	50,469		50,469
Other			
From others	5,616		5,616
<b>Total</b>	<b>56,085</b>	<b>6,967</b>	<b>63,052</b>

31.12.2019 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at amortised cost	Total
Quoted			
From public entities		24,758	24,758
From others	1,997		1,997
Other			
From others	2,199		2,199
<b>Total</b>	<b>4,196</b>	<b>24,758</b>	<b>28,953</b>

# LIABILITIES

## NOTE 11. LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2020	31.12.2019
<b>Liabilities to credit institutions</b>		
Liabilities to central banks	104 000	38 000
Liabilities to credit institutions	1 106 667	750 232
<b>Total</b>	<b>1 210 667</b>	<b>788 232</b>
<b>Liabilities to customers</b>		
Deposits	1 592	40
Other financial liabilities*	406 800	50 000
<b>Total</b>	<b>408 392</b>	<b>50 040</b>
<b>Liabilities to credit institutions and customers</b>	<b>1 619 059</b>	<b>838 271</b>

\* Other financial liabilities are deposits from governments, multinational organisations and foreign funds.

## NOTE 12. DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2020		31.12.2019	
	Nimellisarvo	Kirjanpitoarvo	Nimellisarvo	Kirjanpitoarvo
<b>Measured at amortised cost</b>				
Bonds	946,000	947,366	1,210,000	1,212,901
Other Certificates of deposit	142,000	141,742	14,000	14,000
<b>Debt securities issued</b>	<b>1,088,000</b>	<b>1,089,108</b>	<b>1,224,000</b>	<b>1,226,901</b>
<b>Of which</b>				
Variable interest rate	748,000	750,117	540,000	541,247
Fixed interest rate	340,000	338,991	684,000	685,654
<b>Total</b>	<b>1,088,000</b>	<b>1,089,108</b>	<b>1,224,000</b>	<b>1,226,901</b>

During the review period SB Central Bank issued private placement based debentures with variable maturities, amounting to EUR 286 million, under the EMTN programme listed on the Irish Stock Exchange.

# OTHER NOTES

## NOTE 13. FAIR VALUES BY VALUATION TECHNIQUE

### Fair value measurement

Financial instruments are carried in the SB Central Bank's balance sheet at fair value or at amortised cost. The accounting policies of the annual report (Note 2) describe the classification of financial assets and liabilities according to their valuation method, together with the criteria for the valuation techniques and fair value measurement.

The fair values of financial instruments are primarily determined by using publicly quoted prices or from market prices obtained from third parties. If no market quotation is available, the balance sheet items have mostly been measured by discounting future cash flows using the market interest rates on the reporting date. In the case of cash assets, the nominal value equals the fair value. Similarly, in the case of deposits repayable on demand the nominal value is deemed to correspond to fair value.

SB Central Bank has no non-recurring fair value measurements of assets.

### Fair value hierarchy

Level 1 includes financial assets whose fair value is determined by quotations obtainable from active markets. A market is considered to be active, if the prices are readily and regularly

available. Level 1 includes quoted bonds, other securities, stocks and derivatives with quoted prices.

Level 2 includes financial assets that are not traded in an active market, and whose fair value is determined by using valuation techniques or models. These are based on assumptions supported by observable market data, such as the quoted interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives, commercial papers and certificates of deposits.

Level 3 includes financial assets whose fair value cannot be derived from public market quotations or through valuation techniques or models which are based on observable market data. Level 3 comprises unquoted equity instruments, structured investments and other securities for which there is currently no binding market quotation available. The fair value at level 3 is often based on price information received from a third party.

### Transfers between the levels

Transfers between the levels of fair value hierarchy are considered to take place on the date when the event or change in circumstances causing the transfer occurred.

SB Central Bank has made transfers between the levels during reporting period January to June 2020.



30.6.2020	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss	1,159,417	1,159,417			1,159,417
Derivative contracts	667		667		667
Fair value through other comprehensive income	56,085	51,624		5,616*	57,240
Measured at amortised cost	1,517,973				1,537,773
<b>Total financial assets</b>	<b>2,734,142</b>	<b>1,211,042</b>	<b>667</b>	<b>5,616</b>	<b>2,755,097</b>

\* Item includes commercial paper EUR 5 million issued by Stockmann Plc. Stockmann Plc's request for debt restructuring was approved 8th April 2020. Sb Central Bank's management has estimated that receivable's fair value has decreased by 30 % due to uncompleted debt restructuring and uncertainty of receivable.

30.6.2020	Carrying amount	Fair value by hierarchy level			
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	407		407		407
Measured at amortised cost	2,708,167				2,693,469
<b>Total financial liabilities</b>	<b>2,708,574</b>	<b>-</b>	<b>407</b>	<b>-</b>	<b>2,693,875</b>

#### Changes at level 3

Reconciliation of changes in financial instruments at level 3

Fair value through other com-prehensive income (EUR 1,000)	
Carrying amount 31 December 2019	2,199
Changes in value recognised in comprehensive income statement	-1 457
Transfers from level 1 and 2	4,874
<b>Carrying amount 30 June 2020</b>	<b>5,616</b>

Sensitivity analysis of financial instruments at level 3	Effect of hypothetical changes <sup>1</sup>		
	Carrying amount	Positi-ve	Negati-ve
30.6.2020			
Fair value through other comprehensive income	5,616	6,458	4,773
<b>Total</b>	<b>5,616</b>	<b>6,458</b>	<b>4,773</b>

The sensitivity of the fair value of instruments belonging to level 3 to assumed changes is presented in the table above. The fair value has been tested using a 15% change in value.

31.12.2019	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss	666,315	666,315			666,315
Derivative contracts	1,248		1,248		1,248
Fair value through other comprehensive income	4,196	2,001		2,199	4,200
Measured at amortised cost	1,472,177	114,156	1,268,226	99,616	1,481,998
<b>Total financial assets</b>	<b>2,143,936</b>	<b>782,473</b>	<b>1,269,474</b>	<b>101,815</b>	<b>2,153,761</b>

31.12.2019	Carrying amount	Fair value by hierarchy level			
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	1,090		1,090		1,090
Measured at amortised cost	2,065,172	694,771	1,375,889		2,070,660
<b>Total financial liabilities</b>	<b>2,066,262</b>	<b>694,771</b>	<b>1,376,171</b>	<b>-</b>	<b>2,070,942</b>



## NOTE 14. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the SB Central Bank are subject to ISDA Master Agreement. Based on ISDA agreement, derivative payments may be offset by payment transaction on each payment date as well as in the event of counterparty default or bankruptcy. In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

30.6.2020				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements		
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held as collateral	Net amount
<b>Assets</b>						
	Derivative contracts			667	-	667
	<b>Total</b>			<b>667</b>	<b>-</b>	<b>667</b>
<b>Liabilities</b>						
	Derivative contracts			407	1,620	-1,213
	<b>Total</b>			<b>407</b>	<b>1,620</b>	<b>-1,213</b>

31.12.2019				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements		
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held as collateral	Net amount
<b>Liabilities</b>						
	Derivative contracts			1,248	4,730	-3,482
	<b>Total</b>			<b>1,248</b>	<b>4,730</b>	<b>-3,482</b>
<b>Liabilities</b>						
	Derivative contracts			1,090	4,520	-3,430
	<b>Total</b>			<b>1,090</b>	<b>4,520</b>	<b>-3,430</b>

## NOTE 15. COLLATERAL GIVEN AND RECEIVED

(EUR 1,000)	30.6.2020	31.12.2019
<b>Collateral given</b>		
Given on behalf of Group's own liabilities and commitments		
Securities	135,516	47,360
Other	1,620	4,520
<b>Collateral given</b>	<b>137,136</b>	<b>51,880</b>
<b>Collateral received</b>		
Securities	84,921	39,380
Other	500	4,730
<b>Collateral received</b>	<b>85,421</b>	<b>44,110</b>

Collateral given and held are related to participating in ECB funding operations and margin deposits related to derivatives.

## NOTE 16. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2020	31.12.2019
Guarantees	10,000	10,000
Loan commitments	242,340	223,490
Other*	128,500	142,000
<b>Off balance-sheet commitments</b>	<b>380,840</b>	<b>375,490</b>

\* Other off balance-sheet commitments are agreements with member credit institutions of the Savings Banks Amalgamation in which the trade date will only take place after the end of the period under review.

## NOTE 17. RELATED PARTIES

Related party refers to SB Central Bank's key management personnel and their close family members. In addition, related parties comprise entities, which the key management personnel and/or their close family members control. SB Central Bank's related parties include the members of the Board of Directors, Managing Director and Deputy Managing Director. No significant changes have taken place in key personnel compensation during the review period.

With the exception of uncollateralised credit cards, SB Central Bank has granted no related party loans or investments and has no related party business activities. Credit cards granted to related parties are subject to the same general terms and conditions that apply to corresponding customer credits.

## PILLAR III DISCLOSURES

SB Central Bank is part of the Savings Banks Amalgamation and the Savings Banks Group. SB Central Bank's capital adequacy information is included in the information concerning the capital adequacy of the Savings Banks Amalgamation, presented in the consolidated financial statements of the Savings Banks Group. The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010). A copy of the financial statement of the Savings Banks Group is available online at [www.saastopankki.fi](http://www.saastopankki.fi) or from the Savings Banks' Union Coop offices at Teollisuuskatu 33, FI-00510 Helsinki, Finland.

*The original Half-year Report is in Finnish. This is an English version thereof.*





Central Bank  
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