Central Bank of Savings Banks Finland plc

HALF-YEAR REPORT

FOR 1 JANUARY – 30 JUNE 2023

Central Bank
of Savings Banks

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BOARD OF DIRECTORS' REVIEW FOR 1 JANUARY – 30 JUNE 2023

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 with various central credit institution services. The central credit institution services focus 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, the focus of SB Central Bank business was offering high quality services and continuous service development.

SB Central Bank's operating profit for January-June was EUR 12.5 million, and the balance sheet total amounted to EUR 3,128 million.

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

SB Central Bank belongs to the Savings Banks Group and the Savings Banks Amalgamation. The Bank's financial statements are consolidated with the Savings Banks Group's consolidated financial statements.

The Savings Banks Group (hereinafter also "the Group") is the oldest banking group in Finland. It comprises Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by the Savings Banks.

The member organisations of the Savings Banks Amalgamation (hereinafter also "the Amalgamation") form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately 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, 14 Savings Banks, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Sp-Fund Management Company Ltd and Savings Bank Services Ltd. The structure of the Group differs from that of the Amalgamation so that the Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy Ltd.

During the review period, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

Further information about the structure of the Savings Banks Group can be found at saastopankki.fi/saastopankkiryhma.

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

At the beginning of 2023, the economic outlook was overshadowed by fears of an energy crisis, particularly in Europe. Thanks to the mild winter and energy saving efforts, the worst fears did not materialise. The eurozone economy did drift into a slight technical recession in the early part of the year, but that can be considered a defensive victory. Going forward, the outlook of the European economy is slightly better, but the rise in interest rates prevents faster growth. The outlook is reasonably good in the service sector, but substantially weaker in industry and particularly in construction.

The US economy also outperformed expectations in the early part of the year, but the outlook going forward is more subdued, and even a slight recession is possible. While private consumption has held up well, it is gradually starting to suffer from the contraction of purchasing power and the dwindling of savings accumulated during the COVID-19 pandemic. The Chinese economy achieved rapid growth in the first quarter, supported by the discontinuation of COVID-19 lockdowns. Economic data has subsequently weakened, and growth is expected to slow. Still, growth of approximately 5–6% is projected for the full year, which is a high level from a Western perspective.

Central banks around the world have increased their reference rates, which is beginning to be reflected in earnest in the real economy. It will take time for interest hikes to be fully passed on to the economy. There have also been isolated troubles during the rate hike cycle, such as those seen in the US banking sector. Still, the good news is that inflation has begun to fall and is expected to become even more moderate going forward. This makes it possible for central bank rate hikes to come to an end.

INTEREST RATE ENVIRONMENT

Interest rate changes in the eurozone were more moderate during the review period than in 2022. The sharpest rise in short-term interest rates has been seen in the shortest maturities, while the most common reference rate for housing loans, the 12-month Euribor, has risen by less than one percentage point.

Long-term interest rates, for their part, have remained largely unchanged from the turn of the year. The rise in interest rates has been tempered by the markets having a strong expectation that the rate hike cycle will end soon. Recently, however, the European Central Bank has signalled the possibility of further interest rate hikes, which could change the development of interest rates in the second half of the year, particularly if macroeconomic development is favourable.

Although interest rates have levelled off, wholesale funding markets have remained volatile and credit spreads are wide, especially for unsecured debt instruments. This increases the cost of refinancing and partially eliminates the positive impact on the maturity transformation income of banking operations of the yield curve being steeper than in the previous years.

INVESTMENT MARKETS

There was uncertainty in the banking sector in the United States and Europe in the first half of 2023. In the United States, the authorities reacted quickly, and trust in the functioning of the banking system was quickly restored. The prolonged problems of the Switzerland-based Credit Suisse bank culminated in an acquisition facilitated by the authorities, which saw Credit Suisse merged with UBS bank.

Equity market returns were positive in all of the major markets. In the United States, the stocks of large technology companies saw particularly strong growth. In Europe, share prices are more sensitive to economic cycles, and returns were slightly lower than in the US market. In both equity markets, expectations of corporate earnings growth are optimistic given the uncertain economic growth outlook and high inflation. In emerging equity markets, geopolitical tensions and high inflation reduced investors' risk appetite, which contributed to weaker performance when compared to other markets.

In the interest rate markets, nominal yields were positive for both sovereign bonds and corporate bonds. There were no significant changes in the interest rate markets during the first half of the year, although expectations of rising corporate defaults increased.

THE FINNISH ECONOMY

The Finnish economy drifted into a recession in the second half of last year. In early 2023, the economy returned to growth as GDP in the first quarter grew by 0.4% compared to the preceding quarter. The rise in interest rates has had an impact on the housing market and construction in particular. New orders in the industrial sector have declined, and the future outlook is therefore bleaker. By contrast, the service sector is performing fairly well. The employment situation is a bright spot in the economy. The employment rate in Finland has continued to rise.

We expect the Finnish economy to decline slightly this year. Weakening consumer purchasing power will keep private consumption at a subdued level. However, the difficult situation for consumers will gradually improve in the latter part of the year, as inflation slows and wage increases boost household incomes.

SB CENTRAL BANK'S INCOME STATEMENT AND BALANCE SHEET

FINANCIAL HIGHLIGHTS

(EUR 1,000)	6/2023	12/2022	6/2022
Revenue	67,701	59,845	23,935
Net interest income	16,475	17,990	6,863
% of revenue	24.3%	30.1%	28.7%
Operating profit	12,531	7,106	1,357
% of revenue	18.5%	11.9%	5.7%
Total operating revenue	24,262	28,585	11,924
Total operating expenses	-11,663	-20,633	-10,169
Cost to income ratio	0.48	0.72	0.85
Total assets	3,127,785	3,421,948	3,137,998
Total equity	127,278	116,024	84,747
Return on equity %	15.4%	5.7%	1.3%
Return on assets %	0.6%	0.2%	0.0%
Equity/assets ratio %	4.1%	3.4%	2.7%
Solvency ratio %	54.2%	41.4%	32.1%
Impairment losses on financial assets	-69	-846	-398

PROFIT TRENDS (COMPARISON FIGURES 1–6/2022)

SB Central Bank's operating profit was EUR 12.5 (1.4) million and net profit for the period was 9.8 (1.1) million.

PROFITS

Our total operating revenue was EUR 24.3 (11.9) million.

Net interest income increased to EUR 16.5 (6.9) million due to the rise in market interest rates. Interest income developed positively to 50.8 (11.3) million while interest expenses also increased to EUR -34.3 (-4.5) million. The increase in interest income was particularly attributable to higher profits from lending and credit cards. The increase in interest expenses was due to the higher cost of wholesale funding. Hedging through interest rate derivatives amounted to EUR -2.7 (0.3) million.

Net fee and commission income decreased EUR 1.7 million to EUR 3.3 (5.1) million. Fee and commission income amounted to EUR 12.5 (12.6) million while fee and commission expenses amounted to EUR -9.1 (-7.5) million.

Net trading income was EUR 0.4 (-2.4) million unrealized fair value changes from hedge accounting.

Other operating revenue was EUR 4.1 (2.4) million and consisted mainly of service fees from the Central Institution of the Amalgamation and contractual revenues from credit card association.

COSTS

Our total operating expenses before impairment losses amounted to EUR -11.7 (-10.2) million.

Personnel expenses decreased EUR 0.2 million amounting to EUR -2.3 (-2.5) million.

Other operating expenses increased EUR 1.4 million to EUR -8.3 (-6.9) million.

The level of depreciations was slightly higher than in the previous year. Depreciations from tangible and intangible assets were EUR -1.0 (-0.8) million.

Net impairment loss on financial assets was EUR -0.1 (-0.4) million.

BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2022)

The balance sheet of SB Central Bank totalled EUR 3,128 (3,422) million.

WHOLESALE FUNDING AND OTHER FINANCING

The total value of issued bonds was EUR 865 (880) million. During the review period, no public issues were made under the EMTN programme.

Liabilities to credit institutions totalled EUR 1,519 (1,754) million and consisted mainly of short-term deposits to LCR and current accounts from the other amalgamation banks and their minimum reserve deposits. SB Central Bank has also participated in ECB's targeted longer-term refinancing operation under TLTRO III programme and has raised secured funding with total value of EUR 68 million. Term deposits from other than Savings Banks Group entities totalled EUR 250 (250) million.

Liabilities to customers totalled EUR 535 (574) million and consisted mainly of term deposits from public entities.

LENDING

Loans and advances to credit institutions totalled EUR 1,656 (1,931) million. The line item consists mainly of unsecured loans (EUR 1,521 million) and repurchase agreements (EUR 29 million) to group internal Savings Banks and Sp Mortgage Bank. Also, the line item contains the minimum reserve deposit of the Savings Banks Amalgamation and cash given as a collateral to derivative counterparty banks.

Loans and advances to customers totalled EUR 133 (141) million and consisted mainly of credit card balances. Unsecured consumer credit-product generated credit balance of EUR 35 million. Non-performing credit card receivables represented 1.75% (1.41%) of all credit card receivables.

INVESTMENT ASSETS

Investment assets totalled EUR 109 (108) million and consisted mainly of ECB eligible debt instruments (EUR 101 million) while other debt instruments totalled EUR 3.3 million. SB Central Bank had also invested to non-listed funds with total value of EUR 3.6 million and non-listed equity with total value of EUR 0.8 million.

SHAREHOLDINGS AND EQUITY

SB Central bank is fully owned by the other amalgamation Savings Banks. Equity capital on 30 June 2023 was EUR 127 (116) million consisting wholly of CET1 capital.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARATIVE INFORMATION 31 DECEMBER 2022)

At the end of the review period, the SB Central Bank had a strong capital structure, consisting of CET1 capital. Own funds were EUR 116.9 (106.5) million.

SB Central Bank's capital adequacy ratio was high at 54.2 (41.4) per cent at the end of review period. The high capital adequacy ratio is due to the exemption granted to the Amalgamation by the Financial Supervisory Authority, according to which the risk weight applied to the Amalgamation's internal financing items in capital adequacy calculation is 0%.

The capital requirement of SB Central Bank was EUR 22.7 (27.0) million that equals to 10.5% of risk-weighted assets.The capital requirement of SB Central Bank is formed by:

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

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5 (1.25) % . At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

In March 2023, the Financial Supervisory Authority decided to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation. The decision will enter into effect on 1 April 2024.

In addition, the Financial Supervisory Authority has not set in 2023 the countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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% 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 authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

On 27 October 2021, the European Commission published a proposal for a new banking package to implement the final Basel III regulation in the EU. The proposed amendments to the EU's Capital Requirements Regulation (CRR3), which are intended to enter into force from the beginning of 2025, are not expected to have a material impact on the capital adequacy of SB Central Bank.

SB Central Bank has published the relevant information about 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.

The Savings Banks Group's financial statements and capital adequacy information according to Pillar III are available online at www.saastopankki.fi.

CAPITAL ADEQUACY

Own Funds (EUR 1,000)	30.6.2023	31.12.2022
Common Equity Tier 1 (CET1) capital before regulatory adjustments	127,278	116,024
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10,378	-9,536
Common Equity Tier 1 (CET1) capital	116,901	106,488
Tier 1 capital (T1 = CET1 + AT1)	116,901	106,488
Total capital (TC = T1 + T2)	116,901	106,488
Risk weighted assets	215,867	257,860
of which: credit and counterparty risk	159,919	202,415
of which: credit valuation adjustment (CVA)	11,625	10,298
of which: market risk		-
of which: operational risk	44,323	44,323
Common Equity Tier 1 (as a percentage of total risk exposure amount)	54.2	41.4
Tier 1 (as a percentage of total risk exposure amount)	54.2	41.4
Total capital (as a percentage of total risk exposure amount)	54.2	41.4
Capital requirement		
Total capital	116,901	106,488
Capital requirement total*	22,666	26,992
Capital buffer	94,235	79,496

* The capital requirement consists of 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 countercyclical capital requirements of foreign exposures.

LEVERAGE RATIO

The leverage ratio of SB Central Bank was 7.0 (6.1) % clearly exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The most significant part of SB Central Bank's assets consist of group internal loans with 0% risk weight that are not included to the total leverage exposure amount when calculating the leverage ratio. SB Central Bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2023	31.12.2022
Tier 1 capital	116,901	106,488
Leverage ratio exposure	1,678,527	1,755,379
Leverage ratio	7.0	6.1

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 solution 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). In April 2023, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation Sp Mortgage Bank Plc. The requirement pursuant to the previous decision is valid until 31 December 2023. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024 it is 15.72% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher.

In addition to the requirement calculated on the basis of overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

RISK POSITION

SB Central Bank's risk position has remained at a good level. Global events or changes in interest rates have not had a significant impact on the risk position.

The credit risk position of SB Central Bank has remained stable, with a moderate risk level. The quality of the credit portfolio is good, but there is a risk of negative development. While savings banks do not have significant direct liabilities to Russia, there are indirect impacts through certain industries and individual customer relationships.

SB Central Bank's capital structure has remained strong .

The objectives, principles and organization of risk management in SB Central Bank are the same as those presented in the 2022 financial statements.

CREDIT RATING

S&P Global Ratings confirmed long-term counterparty credit rating 'A-' and short-term rating 'A-2' to SB Central Bank on 4 February 2022. The outlook continued as negative.

MATERIAL 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.

INFORMATION

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

Releases and other corporate data are available on the SB Central Bank's website at www.spkeskuspankki.fi

The corresponding information on Savings Banks Group is available online at www.saastopankki.fi.

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS:

Revenues:	Interest income, fee income, net trading income, other operating revenue
Total operating revenue:	Net interest income, net fee and commission income, net trading income, other operating revenue
Total operating expenses:	Personnel expenses, other operating expenses, depreciations of property, plant and equipment and intangible assets
Cost to income ratio:	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %:	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}}$ * 100
Return on assets %:	$\frac{\text{Profit}}{\text{Total assets (average)}}$ * 100
Equity/assets ratio %:	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}}$ * 100
Solvency ratio %:	$\frac{\text{Own funds total}}{\text{Risk-weighted assets total}}$ * 100

ALTERNATIVE PERFORMANCE MEASURES

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 IFRS financial statements. nor have any changes occurred in the financial highlights.

HALF-YEAR REPORT (IFRS)

INCOME STATEMENT

(EUR 1,000)	Note	1-6/2023	1-6/2022
Interest income		50,765	11,346
Interest expense		-34,290	-4,483
Net interest income	4	16,475	6,863
Net fee and commission income	5	3,336	5,075
Net trading income		394	-2,443
Other operating revenue		4,058	2,430
Total operating revenue		24,262	11,924
Personnel expenses		-2,343	-2,499
Other operating expenses		-8,305	-6,881
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-1,015	-790
Total operating expenses		-11,663	-10,169
Net impairment loss on financial assets	6	-69	-398
Operating profit		12,531	1,357
Income tax expense		-2,746	-271
Profit		9,785	1,086

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-6/2023	1-6/2022
Profit	9,785	1,086
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Capital gains from items booked to fair value and classified in other comprehensive income	1,196	
Total	1,196	
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences		
Changes in fair value reserve		
Fair value measurements	341	-363
Deferred tax from fair value measurements	-68	73
Total	273	-290
Total comprehensive income	11,254	795

STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2023	31.12.2022
Assets			
Cash and cash equivalents		1,186,614	1,200,500
Loans and advances to credit institutions	8	1,656,454	1,930,649
Loans and advances to customers	8	132,725	140,616
Derivatives	9		12
Investment assets	10	108,537	107,950
Property, plant and equipment		65	21
Intangible assets		10,124	8,479
Tax assets		733	830
Other assets		32,532	32,890
Total assets		3,127,785	3,421,948
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	1,518,748	1,753,917
Liabilities to customers	11	535,169	574,032
Derivatives	9	49,560	54,120
Debt securities issued	12	864,631	880,335
Tax liabilities		2,850	1,356
Other liabilities		29,547	42,163
Total liabilities		3,000,506	3,305,923
Equity			
Share capital		94,812	94,812
Reserves		19,707	19,434
Retained earnings		12,760	1,779
Total equity		127,278	116,024
Total liabilities and equity		3,127,785	3,421,948

STATEMENT OF CASH FLOWS

(EUR 1,000)	1-6/2023	1-6/2022
Cash flows from operating activities		
Profit	9,785	1,086
Adjustments for items without cash flow effect	3,350	3,585
Change in deferred tax	9	271
Income taxes	-1,223	
Cash flows from operating activities before changes in assets and liabilities	11,921	4,942
Increase (-) or decrease (+) in operating assets	283,589	-264,352
Loans and advances to credit institutions	274,448	-289,229
Loans and advances to customers	7,838	-23,248
Investment assets, at fair value through other comprehensive income	1,448	
Investment assets, at amortized cost	-103	60,320
Investment assets, fair value through profit or loss	-400	-1,200
Other assets	358	-10,995
Increase (-) or decrease (+) in operating liabilities	-306,489	455,378
Liabilities to credit institutions	-235,169	486,928
Liabilities to customers	-38,862	39,959
Debt securities issued	-19,872	-79,184
Other liabilities	-12,586	7,675
Total cash flows from operating activities	-10,978	195,968

(EUR 1,000)	1-6/2023	1-6/2022
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets	-2,704	-1,367
Total cash flows from investing activities	-2,704	-1,367
Change in cash and cash equivalents	-13,683	194,601
Cash and cash equivalents at the beginning of the period	1,213,286	1,019,455
Cash and cash equivalents at the end of the period	1,199,603	1,214,056
Cash and cash equivalents comprise the following items:		
Cash	1,186,614	1,199,669
Receivables from central banks repayable on demand	12,989	14,387
Total cash and cash equivalents	1,199,603	1,214,056
Interest received	43,844	9,119
Interest paid	24,440	-4,724

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Fair value reserve	Total reserves	Retained earnings	Total equity
Equity 1 January 2022	68,344	19,000	542	19,542	-3,935	83,952
Comprehensive income						
Profit					5,663	5,663
Other comprehensive income			-108	-108	51	-58
Total comprehensive income			-108	-108	5,713	5,605
Transactions with owners						
Subscription issue	26,468					
Total equity 31 December 2022	94,812	19,000	434	19,434	1,779	116,024
Equity 1 January 2023	94,812	19,000	434	19,434	1,779	116,024
Comprehensive income						
Profit					9,785	9,785
Other comprehensive income			273	273	1,196	1,469
Total comprehensive income			273	273	10,981	11,254
Total equity 30 June 2023	94,812	19,000	707	19,707	12,760	127,278

BASIS OF PREPARATION

NOTE 1: INFORMATION OF 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 with various central credit institution services. The central credit institution services focus on payment services and account operator services, payment card issuing, and services related to liquidity management, funding and asset and liability management. SB Central Bank belongs to the Savings Banks Group and its owners are the 14 Savings Banks of the Amalgamation.

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

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The structure of the Savings Banks Group differs from that of Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Ltd.

During the review period, Lieto Savings Bank relinquished its membership of Savings Banks’ Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

NOTE 2: ACCOUNTING POLICIES

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. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2022. There has not been changes in accounting policies during the reporting period.

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 accounting and functional currency. The half-year report is presented in thousands of euros, unless stated otherwise.

SB Central Bank's financial statements and half-year reports are available at the website www.spkeskuspankki.fi.

The Group's financial statements and half-year reports are available at the website www.saastopankki.fi/saastopankkiryhma.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

IFRS-compliant Half-Year Report 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 and impairment of financial asset. The key uncertainties in estimates made in the half-year report are particularly related to future economic development.

In the half-year report 30 June 2023, the most significant uncertainties influencing the management's estimates have been Russia's war of aggression in Ukraine, the resulting energy crisis in Europe, accelerating inflation and rising market interest rates. There is considerable uncertainty associated with estimating the economic impacts of the above-mentioned factors, which particularly influences the assessment of the expected credit losses on financial assets.

DETERMINATION OF CREDIT LOSSES

Expected credit loss calculation models contain several factors that require the management's judgment.

- Selection of the models used in the calculations so that they illustrate the expected credit losses of the contract portfolio as accurately as possible.
- Assumptions and expert assessments included in the models.
- Defining the quantitative and qualitative criteria for a significant increase in credit risk.
- Selection of the macroeconomic factors describing future economic development used in the calculations so that changes in the selected factors are correlated with the probability of contract default.
- Preparing economic forecasts and predicting the probability of their future realisation.

SB Central Bank uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognizing an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model. The exceptional uncertainty regarding future economic development that prevailed during the review period has increased the significance of the management's judgment and estimates.

The SB Central Bank has assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. SB Central Bank do not have significant direct liabilities to Russia, Ukraine or Belarus. Nevertheless, the changed market conditions have indirect impacts on certain industries or individual customer relationships. SB Central Bank has enhanced their monitoring of identified risks that have potentially been elevated by the crisis.

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)	1-6/2023	1-6/2022
Interest income		
Debts eligible for refinancing with Central Bank	610	139
Loans and advances to credit institutions	42,921	4,748
Loans and advances to customers*	6,593	4,296
Debt securities	2	2
Derivative contracts		
Hedging derivatives	55	503
Other**	585	1,659
Total	50,765	11,346
Interest expense		
Liabilities to credit institutions	-15,967	-1,855
Liabilities to customers	-5,948	-232
Derivative contracts		
Hedging derivatives	-2,754	-211
Debt securities issued	-9,620	-2,185
Other	-1	
Total	-34,290	-4,483
Net interest income	16,475	6,863
* of which interest income from loans in stage 3	63	56
** is made up of interest charges and limit commission based on account agreements.		

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2023	1-6/2022
Fee and commission income		
Lending*	8,405	8,281
Payment transfers	3,464	3,194
Securities	516	1,015
Other	99	111
Total	12,484	12,602
Fee and commission expense		
Payment transfers	-1,597	-1,588
Securities	-349	-387
Other**	-7,203	-5,551
Total	-9,149	-7,527
Net fee and commission income	3,336	5,075
* of which the most significant incomes are incomes related to granting loans		
** of which the most significant expenses are expenses related to granting loans		

NOTE 6: IMPAIRMENT LOSS ON FINANCIAL ASSETS

SB Central Bank determines impairments on financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets that are subsequently measured at amortized cost or at fair value through other comprehensive income as well as for financial guarantees and loan commitments.

For the purpose of measuring expected credit losses, SB Central Bank applies a three-stage model in which the stage to be applied in the measurement is determined based on the change in the credit risk of the financial asset between the date of initial recognition and the reporting date.

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event being incurred within 12 months of the reporting date.
- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.
- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

FINANCIAL ASSETS WITHIN THE SCOPE OF MEASUREMENT OF EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGE

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 30 June 2023				
Investment assets	53,268			53,268
Loans and advances to credit institutions	1,601,573			1,601,573
Loans and advances to customers	125,805	6,799	2,190	134,793
Off-balance sheet items	392,846	11,304	75	404,225
Total	2,173,493	18,102	2,265	2,193,860

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 December 2022				
Investment assets	53,102			53,102
Loans and advances to credit institutions	1,841,767			1,841,767
Loans and advances to customers	134,244	6,056	1,996	142,295
Off-balance sheet items	399,700	10,967	87	410,755
Total	2,428,813	17,023	2,083	2,447,919

In assessing the significance of change in credit risk, SB Central Bank takes into account the following qualitative and quantitative data, amongst others:

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when payment delay exceeds 30 days. When payment delay for a financial asset exceeding the threshold exceeds 90 days, it is deemed to be impaired and is migrated from stage 2 to stage 3.

- PD% increase (loans and advances to customers): the risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the defined relative or absolute thresholds for the PD% increase are exceeded.

- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2. If the contract is forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.

- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

- PD% increase (loans and advances to credit institutions and investment assets): credit risk is deemed to have increased significantly when the defined relative or absolute thresholds for the PD% increases is exceeded.

The financial asset can revert from stage 2 and 3 if its credit risk has improved significantly and it has consistently met the criteria for the previous stage during the length of the defined probation period. The length of the probation period for transition from stages 2 and 3 and from stages 1 and 2 is three months.

The tables below present the development of the expected credit losses as of the begining of the reporting period.

Expected Credit Losses (ECL), Loans and advances to customers and related off-balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2023	265	297	1,934	2,496
Transfers to Stage 1	17	-45		-29
Transfers to Stage 2	-51	249	-13	185
Transfers to Stage 3		-162	916	754
New assets originated or purchased	53		5	58
Assets derecognised or repaid	-44	-29	-628	-701
Amounts written off			-309	-309
Amounts recovered			198	198
Change in credit risk without change in Stage	-103	-55	-13	-171
Net change in ECL	-128	-42	156	-14
Expected Credit Losses 30 June 2023	137	255	2,091	2,482

Expected Credit Losses (ECL), Loans and advances to credit institutions and related off-balance sheet items	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2023	279			279
New assets originated or purchased	94			94
Assets derecognised or repaid	-78			-78
Change in credit risk without change in Stage	13			13
Net change in ECL	28			28
Expected Credit Losses 30 June 2023	307			307

Expected Credit Losses (ECL), Investment assets	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2023	160			160
Change in credit risk without change in Stage	-57			-57
Net change in ECL	-57			-57
Expected Credit Losses 30 June 2023 total	102			102
Total expected credit losses 30 June 2023	547	255	2091	2,892
Total net change in ECL 1 January - 30 June 2023	-157	-42	156	-43

Expected Credit Losses (ECL), Loans and advances to customers and related off-balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2022	183	214	1,407	1,804
Transfers to Stage 1	20	-70		-49
Transfers to Stage 2	-86	440	-11	343
Transfers to Stage 3		-229	1,383	1,154
New assets originated or purchased	109		5	114
Assets derecognised or repaid	-13	-16	-697	-727
Amounts written off			166	166
Amounts recovered			-275	-275
Change in credit risk without change in Stage	51	-42	-44	-34
Net change in ECL	82	83	527	692
Expected Credit Losses 31 December 2022	265	297	1,934	2,496

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 2022	206			206
New assets originated or purchased	132			132
Assets derecognised or repaid	-58			-58
Net change in ECL	73			73
Expected Credit Losses 31 December 2022	279			279

Expected Credit Losses (ECL), Investment assets	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2022	188			188
New assets originated or purchased	29			29
Assets derecognised or repaid	-57			-57
Transfers from Stage 1 to Stage 3	29			29
Transfers from Stage 2 to Stage 1	-57			-57
Net change in ECL	-29			-29
Expected Credit Losses 31 December 2022	160			160
Expected Credit Losses 31 December 2022 total	704	297	1,934	2,935
Total net change in ECL 1 January - 31 December 2022	127	83	527	737

Methods and parameters used in calculation of expected credit losses

SB Central Bank's calculation of expected credit loss for loans to customers and related off balance sheet items is based on the Probability of Default / Loss Given Default (PD*EAD*LGD) model. The calculations are carried out separately for each contract and based on the following parameters:

- PD% : probability of default based on external and internal credit ratings.
- LGD%: estimated loss at the time of default.
- EAD: exposure at default, corresponds the amount of the used credit for the card credits, takes into consideration instalments that are modelled for consumer credits based on the payment schedule. The undrawn commitment component is included in the calculation by using a cash conversion rate factor that is determined based on product type.

The calculation takes the time value of money into consideration by discounting the expected credit loss calculated for the contract. The effective interest rate is the contractual interest rate, and it is calculated on the gross carrying amount in stages 1 and 2 and on the adjusted carrying amount in stage 3.

Expected credit losses of debt securities and loans and advances to credit institutions belonging to investment assets are assessed by purchasing lot by using the probability of default / loss given default (PD/LGD) model. The probability of default (PD) is based on credit ratings provided by Bloomberg and, if they are not available, external credit rating information, which is converted into PD values. The LGD values used in the calculation correspond to analysed historical actuals by investment type and are not assessed separately by issuer or investment.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the third-year values of the forecast period. The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2023	2024	2025
Change in EuropeStoxx%	3.0% / 6.0%	6.0%	7.0%
Change in GDP	0.0% / 1.5%	1.20%	1.20%
Investments	0.0% / 3.0%	1.50%	1.50%

War in Ukraine and impacts of the economic sanctions against Russia

SB Central Bank has assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. SB Central Bank does not have significant direct liabilities to Russia, Ukraine or Belarus in sectors such as agriculture, logistics, construction or industries dependent on energy commodities. As the exceptional situation prevails, SB Central Bank will monitor and report the development of their customers' credit risk and, if necessary, make an adjustment, based on the management's assessment, to the amount of expected credit losses.

ASSETS

NOTE 7: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
30.6.2023				
Cash and cash equivalents			1,186,614	1,186,614
Loans and advances to credit institutions	1,656,454			1,656,454
Loans and advances to customers	132,725			132,725
Derivatives				
fair value				
Investment assets	49,926	55,011	3,600	108,537
Total assets	1,839,105	55,011	1,190,214	3,084,330
Liabilities to credit institutions	1,518,748			1,518,748
Liabilities to customers	535,169			535,169
Derivatives				
fair value			49,560	49,560
Debt securities issued	864,631			864,631
Total liabilities	2,918,549		49,560	2,968,109

(EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
31.12.2022				
Cash and cash equivalents			1,200,500	1,200,500
Loans and advances to credit institutions	1,930,649			1,930,649
Loans and advances to customers	140,616			140,616
Derivatives				
fair value			12	12
Investment assets	49,825	54,926	3,200	107,950
Total assets	2,121,089	54,926	1,203,713	3,379,728
Liabilities to credit institutions	1,753,917			1,753,917
Liabilities to customers	574,032			574,032
Derivatives				
fair value			54,120	54,120
Debt securities issued	880,335			880,335
Total liabilities	3,208,284		54,120	3,262,404

NOTE 8: LOANS AND ADVANCES

30.6.2023 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	106,053		106,053
Loans and other receivables	1,550,625	-224	1,550,401
Total	1,656,678	-224	1,656,454
Loans and advances to customers			
By products			
Used overdrafts	34,705	-193	34,512
Credit cards	100,475	-2,262	98,213
Total	135,180	-2,454	132,725
Loans and advances total	1,791,857	-2,678	1,789,179

31.12.2022 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	143,776	-1	143,775
Loans and other receivables	1,786,873	-258	1,786,615
Total	1,930,649	-259	1,930,390
Loans and advances to customers			
By products			
Used overdrafts	29,194	-136	29,058
Credit cards	111,422	-2,300	109,122
Total	140,616	-2,436	138,179
Loans and advances total	2,071,265	-2,696	2,068,569

NOTE 9: DERIVATIVES AND HEDGE ACCOUNTING

SB Central Bank hedges its interest rate risk against exposure to changes in fair value and applies hedge accounting on hedging relationships. Fair value hedging is applied at fixed interest rate lending and fixed rate debt issuance.

Changes in the fair value of derivatives hedging fair value are recognised in the income statement under Net trading income. When hedging fair value, 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 recognized in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under Net trading income. Interest arising from hedging derivatives are presented as an adjustment to interest expense.

30.6.2023	**Nominal value / remaining maturity**				**Fair value**	
(EUR 1,000)	**less than 1 year**	**1–5 years**	**over 5 years**	**Total**	**Assets**	**Liabilities**
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives		30,000	168,000	198,000		49,560
Total		30,000	168,000	198,000		49,560

31.12.2022	**Nominal value / remaining maturity**				**Fair value**	
(EUR 1,000)	**less than 1 year**	**1–5 years**	**over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging						
Interest rate derivatives	10,000	30,000	168,000	208,000	12	54,120
Total	10,000	30,000	168,000	208,000	12	54,120

* Fixed rate issued bonds designated as exposures in fair value hedging groups have total nominal value of EUR 198,000,000 and total fair value of EUR 196,757,803. Nominal values of hedges equal to the nominal values of exposures.

NOTE 10: INVESTMENT ASSETS

(EUR 1,000)	30.6.2023	31.12.2022
At fair value through other comprehensive income		
Debt securities	54,261	52,870
Shares and participations	751	2,055
Total	55,011	54,926
Fair value through profit or loss		
Shares and participations	3,600	3,200
Total	3,600	3,200
Amortized cost investments		
Debt securities	49,956	49,853
Expected Credit Losses	-30	-29
Total	49,926	49,825
Investment assets	108,537	107,950

BREAKDOWN BY ISSUER OF QUOTATION

30.6.2023 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
Other	55,011	3,600	49,926	108,537
Total	55,011	3,600	49,926	108,537

31.12.2022 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
Other	54,926	3,200	49,825	107,950
Total	54,926	3,200	49,825	107,950

LIABILITIES

NOTE 11: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2023	31.12.2022
Liabilities to credit institutions		
Liabilities to central banks	68,000	68,000
Liabilities to credit institutions	1,450,748	1,685,917
Total	1,518,748	1,753,917
Liabilities to customers		
Deposits	66	44
Other financial liabilities*	535,103	573,988
Total	535,169	574,032
Liabilities to credit institutions and customers	2,053,917	2,327,948

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

NOTE 12: DEBT SECURITIES ISSUED

	30.6.2023	
(EUR 1,000)	**Nominal value**	**Book value**
Measured at amortized cost		
Bonds	764,500	717,844
Other		
Certificates of deposit	149,000	146,787
Debt securities issued	913,500	864,631
Of which		
Variable interest rate	275,000	230,466
Fixed interest rate	638,500	634,165
Total	913,500	864,631

	31.12.2022	
(EUR 1,000)	**Nominal value**	**Book value**
Measured at amortized cost		
Bonds	787,500	737,014
Other		
Certificates of deposit	144,000	143,321
Debt securities issued	931,500	880,335
Of which		
Variable interest rate	350,000	350,885
Fixed interest rate	581,500	529,450
Total	931,500	880,335

OTHER NOTES

NOTE 13: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

Financial instruments are presented in SB Central Bank's balance sheet at fair value or at amortized cost. The classification of financial assets and liabilities by valuation technique as well as the criteria for measurement methods and for determining fair value are described in the accounting policies.

The fair values of financial instruments are primarily determined using quotations on a publicly traded market or market prices received from third parties. If quoted market prices are not available, balance sheet items are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

SB Central Bank does not have assets measured at fair value on a non-recurring basis.

Fair value hierarchy

Level 1 consists of financial assets, for which the value is determined based on quotes on a liquid market. Market is considered liquid if the prices are available easily and regularly enough. Level 1 includes quoted bonds as well as other securities which are quoted on public.

Level 2 includes financial assets for which there is no quotation directly available on an active market and whose fair value is estimated using valuation techniques or models. These are based on assumptions which are supported by verifiable market information such as the listed interest rates or prices of similar instruments. This group includes e.g. interest rate derivatives as well as commercial papers and certificates of deposit.

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 levels

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such a transfer or when circumstances change.

In the review period, there were no transfers between levels 1, 2 and 3.

Financial assets 30.6.2023	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss	1,190,214	1,186,622		3,600	1,190,222
Derivative contracts					
Fair value through other comprehensive income	55,011		54,594	751	55,345
Measured at amortized cost	1,839,105	106,178	1,589,349	172,983	1,868,511
Total financial assets	3,084,330	1,292,800	1,643,943	177,334	3,114,078

Financial liabilities 30.6.2023	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Derivative contracts	49,560		49,560		49,560
Measured at amortized cost	2,918,549	888,314	1,993,699		2,882,013
Total financial liabilities	2,968,109	888,314	2,043,259		2,931,573

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial assets at fair value through profit or loss	
Carrying amount 1 January 2023	3,200
Purchases	400
Carrying amount 30 June 2023	3,600

Fair value through other comprehensive income	
Carrying amount 1 January 2023	2,055
Sales	-1,383
Changes in value recognised in comprehensive income statement	79
Carrying amount 30 June 2023	751

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

30.6.2022	Carrying amount	Effect of hypothetical changes	
(EUR 1,000)		Positive	Negative
At fair value through profit or loss	3,600	4,140	3,060
Fair value through other comprehensive income	751	864	638

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.

Financial assets 31.12.2022	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss	1,280,042	1,349,231		3,200	1,352,431
Derivative contracts	12		12		12
Fair value through other comprehensive income	54,926		53,436	2,055	55,491
Measured at amortized cost	2,044,748	2,060	1,805,296	139,760	1,947,116
Total financial assets	3,379,728	1,351,291	1,858,744	145,015	3,355,050

Financial liabilities 31.12.2022	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Derivative contracts	54,120		54,120		54,120
Measured at amortized cost	3,208,284	1,367,461	1,795,159		3,162,619
Total financial liabilities	3,262,404	1,367,461	1,849,279		3,216,739

Changes at level 3

Financial assets at fair value through profit or loss	
Carrying amount 1 January 2022	2,000
Purchases	1,200
Carrying amount 31 December 2022	3,200

Fair value through other comprehensive income	
Carrying amount 1 January 2022	1,237
Sales	1,383
Changes in value recognised in comprehensive income statement	-565
Carrying amount 31 December 2022	2,055

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.

30.6.2023				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/received as collateral**	**Net amount**
Assets						
Derivative contracts						
Total						
Liabilities						
Derivative contracts				49,560	52,110	-2,550
Total				49,560	52,110	-2,550

31.12.2022				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/received as collateral**	**Net amount**
Assets						
Derivative contracts				12		12
Total				12		12
Liabilities						
Derivative contracts				54,120	54,650	-530
Total				54,120	54,650	-530

NOTE 15: COLLATERALS

(EUR 1,000)	30.6.2023	31.12.2022
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Securities	140,854	90,055
Other	52,110	54,650
Collateral given	192,964	144,705
Collateral received		
Securities	40,228	40,413
Collateral received	40,228	40,413

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)	30.6.2023	31.12.2022
Guarantees		10,000
Loan commitments	309,267	280,592
Other*	148,700	141,000
Off balance-sheet commitments	457,967	431,592

* 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. 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 unsecured card credits and consumer credit loans, SB Central Bank has granted no related party loans or investments and has no related party business activities. Card credits to related parties are subject to the same general terms and conditions as corresponding customer credits.

NOTE 18: 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).

Financial statement of the Savings Banks Group and Pillar III capital adequacy information of the Savings Banks Amalgamation are available online at www.saastopankki.fi.

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