BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2021

Central Bank
of Savings Banks

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BOARD OF DIRECTORS' REPORT

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BOARD OF DIRECTORS' REPORT FOR 1 JANUARY TO 31 DECEMBER 2021

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.

In 2021, the focus of the business operations of SB Central Bank was on the good-quality services and the continued development of services. During the financial year, the granting of unsecured consumer credit to the private customers of Savings Banks was started. Savings Banks Group's core banking renewal has employed also significantly SB Central Bank.

SB Central Bank's profit for the financial year was EUR -0.6 million, and the balance sheet total amounted to EUR 2.7 billion.

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, 17 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.

Eurajoki Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 December 2021. In connection with this, Eurajoki Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 1 December 2021. According to the accounting principles confirmed by the Board of Directors of Savings Banks' Union Coop, Eurajoki Savings Bank's result for 2021 is included in the Savings Bank Group's result until the date of the demerger. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 18 to 17.

The governing bodies of Liedon Säästöpankki and Mietoisten Säästöpankki have approved the acquisition of the banking business of Mietoisten Säästöpankki by Liedon Säästöpankki in accordance with the business transfer plan. The aim is to complete the business transaction in early 2022.

In 2019, the Savings Banks Group launched the core banking system upgrade. The core banking system is based on Temenos technology and will be provided by Samlink Ltd. On 18 November 2021, Kyndryl announced that it would acquire the entire share capital of Samlink Ltd from Cognizant. Kyndryl is an independent company that started its operations on 4 November 2021 and that is a corporate spin-off of IBM's global infrastructure services. The Savings Banks Group has agreed with Cognizant that if the Samlink acquisition is realised, the agreement on the core banking system upgrade will be annulled.

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

The year 2021 started in an atmosphere of emerging economic optimism. The pandemic had been raging around the world for over nine months, but a vaccine had been developed, creating confidence that the pandemic would gradually abate. Consequently, the global economy recovered quickly in 2021. The OECD, for example, estimates that the global economy grew by 5.6% in 2021, which is the fastest rate of growth in several in decades.

The recovery started first in China, with the pre-pandemic GDP level reached already in 2020. In the United States, the recovery started faster than in Europe due to the quicker progress of vaccinations, and the pre-pandemic GDP level was reached in the second quarter of 2021. The euro zone is expected to have reached the pre-pandemic GDP level in late 2021.

Globally, the economic recovery was very rapid in the spring and summer. The fastest stage of recovery began to slow as the autumn approached, but economic activity was still brisk. There were several new waves of COVID-19 infections during the year but, significantly, their economic impacts were smaller and smaller with each new wave. Societies have learned to live with the virus and the improved vaccination coverage reduced the correlation between the number of infections and cases of serious disease as the year went on.

The quick recovery led to various capacity restrictions in the economy. Due to strong growth in demand, companies have not been able to deliver products in the same manner as before. Delivery times have become longer for many products. There have also been challenges related to the availability of raw materials and logistics chains have suffered from disruptions caused by COVID-19.

Due to these factors and rising energy prices, inflation accelerated rapidly in 2021 and reached levels not seen for a long time. In the USA, inflation rose to nearly 7%. While inflationary pressures in the euro zone have been more moderate, inflation here has also risen to nearly 5%, which is well above the central bank's target. Inflation was initially expected to be temporary, but it now appears that increasing prices are a slightly longer-term phenomenon.

At the beginning of the year, the hope was that the pandemic would abate as vaccination coverage improves. This hope has turned out to be unfounded. Although vaccines provide good protection against serious illness, yet another new wave of infections was seen at the end of the year, pushing the limits of health care capacity in various countries. This forced the authorities to again introduce new restrictions. The restrictions have a particularly severe impact on the service sector industries that have suffered the most during the COVID-19 crisis: tourism, events and restaurants, for example. Nevertheless, the overall economic impact of the restrictions is likely to be fairly limited.

Uncertainty increased further in the latter part of the year with the emergence of Omicron, a new rapidly spreading variant of COVID-19. While its severity is still uncertain, early data indicates that this new variant spreads easily but causes fewer serious cases than the Delta variant, for instance. The total burden on the health care system remains unclear.

INTEREST RATE ENVIRONMENT

Short-term interest rates in the euro area have remained virtually unchanged over the reference period. The increase in long-term euro interest rates, which started at the beginning of the year, came to a halt over the summer and subsequently continued in the second half of the year, levelling off slightly towards the end of 2021. As Euribor rates are the dominant form of interest rate fixation in lending, the low level of these interest rates presented a challenge to the net interest income of banking operations during the review period.

The extensive use of the European Central Bank's TLTRO programme has reduced the debt issuance of banks in the wholesale markets and, consequently, the costs of wholesale funding remained low in terms of credit margins throughout the period under review.

INVESTMENT MARKETS

The investment markets developed favourably during the year in spite of the increased uncertainty. The pandemic, accelerating inflation and expectations of changes in central bank monetary policy were the key themes in the investment markets in 2021. Share prices continued to develop favourably in Europe and the United States. In emerging markets, share price developments were more moderate and investors' risk appetite was reduced by concerns related to the Chinese real estate market in particular. The risk margins of corporate bonds remained stable in Europe during the year, which helped support corporate bond yields. The yields of sovereign bonds were reduced by higher long-term interest rates and expectations of accelerating inflation.

THE FINNISH ECONOMY

Like the global economy, the Finnish economy recovered briskly in 2021. The Savings Banks Group estimates that the Finnish economy grew by 3.5%, which is substantially faster than normal. The rapid growth is attributable to the recovery from the COVID-19 crisis. On the whole, the Finnish economy has performed well during the COVID-19 crisis: the decline in 2020 was not as sharp as in many other countries and the subsequent recovery has been relatively quick. Finnish GDP reached the pre-crisis level in the second quarter of 2021.

The recovery of the economy has been broad-based. The service sector, which has been hit the hardest by COVID-19, has generally recovered fairly well, although production in certain service industries (including the arts, entertainment and recreational services) is still substantially below pre-crisis levels. The manufacturing industry has recovered rapidly, and construction activity has been brisk during the COVID-19 crisis.

On the whole, households have coped with the COVID-19 crisis relatively well. The labour market recovered faster than expected in 2021. The employment rate has risen above the pre-crisis level and the unemployment rate has decreased, approaching the pre-crisis level. There are reports of labour shortages and plenty of vacancies in the job market.

The household savings rate has increased during the COVID-19 crisis and households a lot of savings. While private consumption has recovered, it has not resulted in a spending spree. Indeed, it is possible that some households will leave the funds they have accumulated during the COVID-19 crisis in various forms of savings and investments, such as deposits, mutual funds and the stock markets. Funds accumulated by households have also been channelled into the housing market and the housing loan portfolio has grown during the COVID-19 crisis. According to a consumer confidence survey, households' perceptions of their financial situation has improved during the COVID-19 crisis.

SB CENTRAL BANK'S BUSINESS ACTIVITIES

SB Central Bank is responsible for providing the Savings Banks with various centralised services. Its most significant operations include the funding and liquidity management of the Amalgamation, asset and liability management, payment card issuing, and payment services and account operator services for the Savings Banks. In addition, the granting of unsecured consumer credit to the private customers of Savings Banks was started during the financial year.

TREASURY

In 2021, the Treasury operations focused on optimising the Savings Banks Group's liquidity position and expanding the Group's debt investor relations.

ASSET AND LIABILITY MANAGEMENT

Regulation-related projects, such as the implementation of the NSFR and the drafting of the Act on Mortgage Credit Banks in the FA working group, were carried out and promoted. The system environment planning, aiming at process development, was continued.

ISSUING OF PAYMENT CARDS

Payment card development focused on a mobile payment project, which was completed in early 2021. The renewal makes it easier to use the Savings Banks Group's cards in payments with mobile phones and other smart devices. In addition, in late 2021, unsecured consumer credit to the private customers of the Savings Banks Group's banks, granted from the balance sheet of the Central Bank of Savings Banks, was launched.

PAYMENTS

During the year 2021 development of processes and functionalities was continued. Several functionalities and changes required by regulation were implemented.

SECURITIES SERVICES / ACCOUNT MANAGEMENT OPERATIONS

During the year, projects related to regulation, market changes and reporting to the authorities were carried out and the opportunities for the fast and cost-efficient continued development of the business area were promoted.

FINANCIAL POSITION

FINANCIAL HIGHLIGHTS

(EUR 1,000)	1-12/2021	1-12/2020	1-12/2019
Revenue	44,142	43,904	47,351
Net interest income	9,147	6,487	6,936
% of revenue	20.7 %	14.8 %	14.6 %
Operating profit	-582	-1,452	2,275
% of revenue	-1.3 %	-3.3 %	4.8 %
Total operating revenue	20,583	21,332	21,971
Total operating expenses	-20,628	-21,678	-18,727
Cost to income ratio	1.0	1.0	0.9
Total assets	2,679,569	2,817,010	2,161,047
Total equity	83,952	83,620	83,906
Return on equity %	-0.8 %	-1.7 %	2.9 %
Return on assets %	-0.02 %	-0.06 %	0.08 %
Equity/assets ratio %	3.1 %	3.0 %	3.9 %
Solvency ratio %	39.1 %	32.2 %	46.8 %
Impairment losses on loans and other receivables	-537	-1,107	-969
Number of employees converted to FTEs	48	44	43
Average number of FTEs during the financial year	49	47	44

PROFIT TRENDS (COMPARISON FIGURES 1–12/2020)

SB Central Bank's operating profit was EUR -0.6 (-1.5) million and net profit for the year was -0.7 (-1.4) million.

PROFITS

Our total operating revenue was EUR 20.6 (21.3) million.

Net interest income amounted to EUR 9.1 (6.5) million. Interest income increased to 18,0 (17,1) million while interest expenses decreased to EUR -8.9 (-10.6) million. Positive NII development in comparison with the previous year was due to higher profits from credit cards and decreased cost of wholesale funding. Hedging through interest rate derivatives improved net interest income by EUR 0.6 million.

Net fee and commission income decreased EUR 2.4 million to EUR 8.7 (11.1) million. The level of fee and commission income 23.4 (23.1) remained close to the comparison figure whereas fee and commission expenses increased to EUR 14.7 (12.0) million. The increase in fee and commission expenses is connected to a change in intra-group pricing policy where higher proportion of revenues were directed to the member Savings Banks in 2021 than in the previous year.

Net trading income was EUR -0.8 (-0.0) million comprising EUR 0.6 realized gain from investments in equity and EUR -1.4 unrealized fair value changes from hedge accounting.

Other operating revenue was EUR 3.5 (3.8) 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 -20.6 (-21.7) million.

Personnel expenses increased EUR 0.5 million amounting to EUR -4.9 (-4.4) million.

Other operating expenses remained close to the level of previous year amounting to EUR -14.1 (-14.0) million.

The level of depreciations was lower than in the previous year due to extraordinary impairment of intangible asset that occurred last year. Depreciations from tangible and intangible assets were EUR – 1.6 (-3.3) million.

Net impairment loss on financial assets was EUR -0.5 (-1.1). The level of realized net credit losses including recoveries was lower than in the previous year.

BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2020)

The balance sheet of SB Central Bank totaled EUR 2 680 (2 817) million.

WHOLESALE FUNDING AND OTHER FINANCING

The total value of issued bonds was EUR 1 006 (1 111) million. During the year, SB Central Bank issued new senior unsecured bonds under the EMTN programme with total value of EUR 201.5 million based on the refinancing needs of the Savings Banks Group.

Liabilities to credit institutions totaled EUR 1 244 (1 100) 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 totaled EUR 185 (100) million.

Liabilities to customers totaled EUR 326 (511) million and consisted mainly of term deposits from public entities.

LENDING

Loans and advances to credit institutions totaled EUR 1 393 (1 334) million. The line item consists mainly of unsecured loans (EUR 1 252 million) and repurchase agreements (EUR 41 million) to group internal Savings Banks. Also, the line item contains the minimum reserve deposit of the Savings Banks group and cash given as a collateral to derivative counterparty banks.

Loans and advances to customers totaled EUR 97 (92) million and consisted mainly of credit card balances. In mid-December 2021 SB Central Bank started to grant new unsecured consumer credit to Savings Banks personal banking clients. During the short period, the new product generated credit balance of EUR 1 million. SB Central Bank continues to grant new consumer credit to Savings Banks clients during the year 2022. Non-performing credit card receivables represented 1.35 % (0.9 %) of all credit card receivables.

INVESTMENT ASSETS

Investment assets totaled EUR 167 (103) and consisted mainly of ECB eligible debt instruments (EUR 111 million) while other debt instruments totaled EUR 3 million. SB Central Bank had also invested to non-listed funds with total value of EUR 2 million and non-listed equity with total value of EUR 1.2 million. The line item also contains EUR 50 million subordinaded loan to Sp Mortgage Bank Plc.

SHAREHOLDINGS AND EQUITY

SB Central Banks' share capital on 31 December 2021 was EUR 68 million and total equity EUR 84 million. SB Central bank is fully owned by the other amalgamation Savings Banks.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARATIVE INFORMATION 31 DECEMBER 2020)

SB Central Bank has adopted an internal capital adequacy assessment process, the objective of which is to ensure the bank's risk-bearing capacity is sufficient in relation to all the major risks resulting from its business operations. SB Central Bank identifies and comprehensively assesses the risks associated with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks. The internal capital requirements specified through the capital adequacy management are based on the capital requirements under Pillar I and risks outside Pillar I, such as interest rate risk of the banking book, market risk of the investment portfolio and business risk. In the internal assessment process, SB Central Bank estimates the amount of capital that will also be sufficient to cover unexpected losses arising from risks outside Pillar I.

In line with its strategy, SB Central Bank provides Savings Banks with various central credit institution services, such as payment transaction and account operator services for all Savings Banks and payment card and consumer credit loan issuing for customers of Savings Banks' clients, as well as services related to liquidity management, funding and asset and liability management. SB Central Bank focuses to operate only these business areas to keep its risks manageable.

The Board of Directors of the bank has overall responsibility for capital adequacy management. The Bank's Board of Directors approves the basis, objectives and principles of capital adequacy management. Moreover, the Board of Directors confirms the general requirements for the measurement and assessment of capital adequacy and the general principles for the capital adequacy management process. In practice this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the business operations and changes in the operating environment, The capital adequacy, liquidity and risk positions of the entities belonging to the Savings Bank Amalgamation are monitored and consolidated at the Amalgamation level. The Board of Directors of the Central Institution has set target levels for the capital adequacy of the Amalgamation and banks, which are monitored quarterly.

STRESS TESTS

As part of the capital adequacy management process, SB Central Bank uses stress tests to assess its own risk position and capital adequacy. Stress tests are used when assessing how various exceptionally severe but possible scenarios may affect profitability, capital adequacy and adequacy of own funds. Stress tests are designed to identify the key risks to SB Central Bank and assess how vulnerable the structure of the Bank is in relation to the occurrence of those risks. The objective of the capital adequacy management is also to maintain and develop the quality of risk management framework.

CAPITAL CONTINGENCY PLAN

The capital contingency plan of SB Central Bank is made in order to be prepared for unforeseeable events that may threaten the bank's capital adequacy. The capital contingency plan includes target levels and thresholds set by the Board of Directors for the quantity and quality of the capital, which are monitored quarterly. The capital contingency plan describes the actions to be taken by the management and the Board of Directors in the event that the capital adequacy ratio falls below the monitoring threshold.

PILLAR I CAPITAL REQUIREMENTS

The biggest capital requirements of SB Central Bank are comprised of card credit receivables. The standard method is applied to calculate the capital requirement for credit risk of the Bank. The capital requirement for operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure.

OWN FUNDS AND CAPITAL ADEQUACY

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 currently 1.25 (1.25) %. Based on the Financial Supervisory Authority's decision in November 2021, the Pillar II capital requirement will rise to 1.5 % effective from 30 June 2022. 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.

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 percent-age 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 2021, the Board of the Financial Supervisory Authority decided to change the maximum lending ratio so that the maximum lending ratio of other than first-home buyers is reduced by 5 percentage points to 85 %. The amendment entered into force on 1 October 2021. In addition, the Financial Supervisory Authority decided not to impose 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 De-posit 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.

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 or from the Savings Banks Union Coop offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

SB Central Bank's own funds totaled EUR 75.2 (75.6) million, while the minimum requirement for own funds was EUR 20.2 (24.7) million. The Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital, amounting to EUR 75.2 million. The capital reserves consist mostly of common equity tier 1 capital.

SB Central Bank's capital adequacy ratio was high at 39.1 (32.2) per cent at year-end. 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%.

CAPITAL ADEQUACY

Own Funds (EUR 1,000)	31.12.2021	31.12.2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	83,952	83,620
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-8,745	-8,055
Common Equity Tier 1 (CET1) capital	75,206	75,564
Tier 1 capital (T1 = CET1 + AT1)	75,206	75,564
Total capital (TC = T1 + T2)	75,206	75,564
Risk weighted assets	192,333	234,847
of which: credit and counterparty risk	151,362	188,947
of which: credit valuation adjustment (CVA)	856	833
of which: market risk	-	4,026
of which: operational risk	40,115	41,040
Minimum total capital requirement	15,387	18,788
Excess total capital	59,820	56,777
Common Equity Tier 1 (as a percentage of total risk exposure amount)	39.1	32.2
Tier 1 (as a percentage of total risk exposure amount)	39.1	32.2
Total capital (as a percentage of total risk exposure amount)	39.1	32.2
Capital requirement		
Total capital	75,206	75,564
Capital requirement total*	20,195	24,659
Capital buffer	55,011	50,905

*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 5.3 % (2.6 %). 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 exposures. 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.

LEVERAGE RATIO

(EUR 1,000)	31.12.2021	31.12.2020
Tier 1 capital	75,206	75,564
Leverage ratio exposure	1,407,959	2,878,392
Leverage ratio	5.3	2.6

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 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement will enter into force in full as of 1 January 2022 for the Savings Banks Amalgamation and with transitional provisions as of 1 January 2022 for Sp Mortgage Bank Plc. The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. The Financial Stability Authority decided that 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. As of 1 January 2024, the MREL requirement in full for Sp Mortgage Bank Plc is 15.71 % of the total risk amount or 5.91 % of the total exposures, whichever is higher. In addition to the requirement calculated based on overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

RISK POSITION

OBJECTIVE OF RISK MANAGEMENT

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its operations. The risk bearing capacity comprises adequate and effective risk management based on the nature and scale of the operations, as well as a sufficient degree of liquidity and capitalisation for profitable business operations.

PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

Risk management is defined as the identification, assessment, quantification, limitation and monitoring of risks caused by business operations and closely related risks. The purpose of risk management is to minimize the likelihood of unforeseeable losses or reputational risk in order to ensure the implementation of the Group's strategy. Risk and capital adequacy management are part of internal control. SB Central Bank has a risk control function that is independent of business operations.

In accordance with its strategy, SB Central Bank provides savings banks with various central credit institution services: 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's customer and investment portfolio exposures are in relation to its financial capacity and are in accordance with its strategy. SB Central Bank maintains its capital adequacy at an adequate level.

In its operations in 2021, SB Central Bank was exposed to credit, market and operational risks, as well as business and liquidity risks.

CREDIT AND COUNTERPARTY RISKS

Credit risk is defined as a possibility that counterparty may not meet its contractual obligations. The main source of credit risk is lending, but credit risks (counterparty risk) may also arise from other types of assets, such as bank deposits, securities in investment portfolio and derivative contracts, as well as off balance-sheet liabilities, such as undrawn credit facilities and limits as well as granted guarantees.

Concentration risk means that SB Central Banks's total amount of loans granted to one customer and/or a group of customers shall not exceed the maximum amounts defined in the Act on Credit Institutions, in other legislations or regulations issued by the Financial Supervisory Authority or in regulations and guidelines issued by any other authorities. The concentration risks caused by an individual counterparty are restricted with limits and guidelines related to the maximum customer exposure both on the Amalgamation and member credit institution level.

The business and risk management strategies approved by the Board of Directors set the maximum exposures for concentration risks and control to the investment and lending activities.

LIQUIDITY RISK

Liquidity risk refers to a bank's capability to meet its commitments. Liquidity risk may arise from the uncontrollability and/or foreseeability of incoming and outgoing cash flows. Liquidity risk also comprises an uncontrollable rise in funding costs. Liquidity risk may be further divided into short-term liquidity risk and long-term funding risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid assets to ensure sufficient liquidity. SB Central Bank's liquidity remained good throughout 2021.

MARKET RISK

Market risk refers to the impact of changes in interest rates and market prices on the bank's income statement and own funds. SB Central Bank was exposed to interest rate and currency risk in the reporting period 2021, as described below.

INTEREST RATE RISK

Interest rate risk is the effect of interest rate changes on the market value of the bank's balance sheet and off balance-sheet items and on the net interest income. Interest rate risk arises from the differences in the interest rate basis of assets and liabilities and the differences in interest rate reset or maturity dates. SB Central Bank applies fair value hedging and uses interest rate swaps to manage its interest rate risk position. SB Central Bank monitors interest rate risk both with net present value method and income risk method.

CURRENCY RISK

Currency risk refers to the effect of changes in foreign exchange rates on income statement or equity. The Central Bank of Savings Banks is exposed to currency risk to a minor extent due to Visa Inc shares in the investment portfolio. Open foreign exchange exposure is not allowed in the lending or liquidity portfolios of the member credit institutions of the Savings Banks Amalgamation. Foreign exchange exposure is monitored in accordance with the method used in capital adequacy calculation (the capital requirement is calculated if the total net foreign exchange exposure is over 2% of the total amount of own funds).

OPERATIONAL RISK

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel, systems, or external factors. Legal risks are also included in the operational risks.

SB Central Bank identifies, and documents operational risks associated with products, services, operations, processes, and systems. The monitoring and control measures are determined through the identification of operational risks. Some of the losses caused by operational risks are covered by insurance. In addition, preparedness for significant operational disruptions is ensured through continuity plans. Regular reports are submitted to SB Central Bank's management on operational risks and actual losses, as well as near-miss situations.

BUSINESS RISK

Business risk describes the impact of uncertainties caused by the operating environment on Bank's business. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in income. Business risks may also be caused by choosing a wrong strategy, ineffective management, or slow response to changes in the operating environment. Business risk is managed and minimized through strategic and business planning set by the SB Central Bank Board of Directors. An assessment of business risks is included in the capital adequacy management process approved by the Board.

CREDIT RATING

S&P Global Ratings confirmed long-term counterparty credit rating 'A-' and short-term rating 'A-2' to SB Central Bank on 22nd January 2021. The outlook is negative.

CORPORATE GOVERNANCE

The Annual General Meeting of SB Central Bank considers the previous year's financial statement, distribution of the profits, discharges, and selection of Board members. The decisions on SB Central Bank's business operations and strategic matters are made by the Bank's Board of Directors. Further tasks of the Board include making decisions concerning the main issues related to SB Central Bank's business operations and selecting its Managing Director. In addition, the Board ensures SB Central Bank's accounting, financial statements practices and financial reporting cover all of its operations and are organised appropriately. The Board of Directors is also responsible for SB Central Bank having adequate and appropriately organised internal control, internal audit and auditor. The work of the Board of Directors follows approved guidelines and the charter for Board of Directors. The Managing Director of SB Central Bank is responsible for Bank's operational management according to the guidelines set by the Board of Directors.

The independence and integrity of the Board members and Managing Director are as certained in accordance with the directions issued by the Financial Supervisory Authority. On their selection for the position and annually thereafter, the Board members and Managing Director are obliged to provide an account of the organizations with which they are involved. In addition, on accepting their position, each Board member and Managing Director must submit a fitness and propriety report as stipulated by the Financial Supervisory Authority.

SB CENTRAL BANK'S MANAGEMENT AND PERSONNEL

The Annual General Meeting of SB Central Bank was held on 11 March 2021. The Board's proposal on the distribution of profits was approved. The Meeting also granted a discharge to the Board members and Managing Director.

The SB Central Bank Board of Directors comprises the following members:

Name	**Position**
Närhinen Tomi	member, Chairman
Syvänen Hannu	member, deputy Chairman until 11 March 2021
Mangs Monika	member, deputy Chairman as from 11 March 2021
Hakala Jussi	member until 11 March 2021
Niuro Jouni	member as from 11 March 2021
Siviranta Petri	member as from 11 March 2021
Toivonen Anne	member
Öhman Ossi	member as from 11 March 2021

The Board members hold management positions in the financial sector. During the financial year, the Board convened fifteen (15) times. Managing Director of the Savings Banks` Union Coop Tomi Närhinen chaired the Board of Directors.

SB Central Bank's CEO during the financial year has been Kai Brander and Mervi Luurila has been the Debuty of CEO. The Annual General Meeting elected KPMG Oy, Authorised Public Accountants, as the auditor of SB Central Bank, with Authorised Public Accountant Mikko Kylliäinen as principal auditor.

The number of personnel at SB Central Bank increased in accordance with the establishment of the new services and development projects. Converted into total resources, the number of personnel at the end of the review period on 31 December 2021 was 48.

The related party refers to the key persons holding leading positions at SB Central Bank and their family members. SB Central Bank's related party includes the Board members, Managing Director and Deputy Managing Director. With the exception of credit cards and unsecured consumer credit, SB Central Bank has not granted related-party loans or investments and has no related-party business transactions. Credit card loans to related parties are subject to the same general terms and conditions as corresponding customer credits.

REMUNERATION SYSTEM

SB Central Bank's remuneration system for personnel and management is based on current legislation, the regulations and recommendations governing the financial sector and, where applicable, the Finnish Corporate Governance Code.

SB Central Bank's decisions on the remuneration systems for executive management and personnel are compliant with Chapter 8 of the Act on Credit Institutions. However, SB Central Bank does not apply the provisions of Sections 9, 11 and 12 in Chapter 8 of the Act on Credit Institutions to those employees whose variable remuneration for a one-year earning period does not exceed EUR 50,000 and whose variable remuneration for a one-year period does not exceed 100% of the employee's total fixed remuneration.

By remuneration systems' it is meant the decisions, contracts, policies and procedures that are followed in rewarding the management and personnel. The remuneration system includes both the rewarding method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure SB Central Bank's competitiveness, good economic growth, inventiveness, commitment and availability of new competent persons. SB Central Bank sees the remuneration system as a comprehensive package that supports the motivation and job satisfaction of the personnel. It is used to guide the operations towards the common goals. The remuneration system includes financial remuneration components as well as other components, such as the maintenance and development of professional competence.

The remuneration system is consistent with the good and efficient risk management and is always implemented within the framework of SB Central Bank's current risk-management principles. Remuneration does not encourage risk-taking that would exceed the sustainable risk level defined on the basis of the risk-bearing capacity.

The General Meeting held on 11 March 2021 decided on the remuneration of the Board of Directors as follows:

annual remuneration, Chairman, EUR 7 000*
annual remuneration, Deputy Chairman, EUR 3 000
annual remuneration, member, EUR 1 500
attendance allowance, EUR 500**

*In accordance with the decision of the Nomination committee of the Savings Banks Group, if the Managing Director of the Savings Banks' Union Coop acts as the chairman, no annual remuneration will be paid, as this is considered to be included in the Managing Director's duties.

**Attendance allowance is paid for each actual meeting of the Board (excluding decisions that do not involve a meeting). The Managing Director of Savings Banks' Union Coop is not paid meeting fees.

The conditions and benefits of the Managing Director's position are approved by the SB Central Bank Board of Directors. SB Central Bank uses a remuneration system under which the personnel, including the Managing Director, may be paid a sum equivalent to a maximum of 4 months' salary for reaching set targets. The Bank has no pension schemes or any other similar arrangements.

The overall compensation, forming the basis of the remuneration, is divided into fixed and variable pay elements. The variable pay element comprises both short- and long-term rewards. SB Central Bank has identified the important risk-taking persons, who may affect the bank's risk profile or incur significant financial risks to the Bank through their activities.

At least once a year, internal audit verifies SB Central Bank's compliance with the remuneration framework decided on by the Board of Directors of Savings Banks' Union Coop.

The remuneration details in accordance with Pillar III are published in the Savings Banks Group financial statement. The financial statement is available online on the Savings Banks Group website at www.saastopankki.fi or from the Savings Banks Union Coop offices at Teollisuuskatu 33, 00530 Helsinki, Finland.

MAIN OUTSOURCED FUNCTIONS

The banking system of the Central Bank of Savings Banks has been outsourced to Samlink Ltd. The Central Bank of Savings Banks purchases support services related to issuing cards and granting card credit and unsecured consumer credit mainly from Nets Oy and services related to the manufacture and delivery of cards from EVRY Card Services Oy. The Central Bank of Savings Banks purchases accounting services from Figure Taloushallinto Oy, whose shares are owned by the Savings Banks' Union Coop and three other banking groups in equal proportions. The Central Bank of Savings Banks purchases its internal audit, risk control and compliance services from the corresponding functions of the Savings Banks' Union Coop.

SOCIAL RESPONSIBILITY

Information on the social responsibility of the Central Bank of Savings Banks is included in the consolidated financial statements of the Savings Banks Amalgamation and the responsibility report published annually by the Savings Banks Group. The Savings Banks Group observes the principles of good corporate governance, openness and the Savings Banks Group's Code of Conduct. The key management practices are defined in the Governance principles of the Savings Banks Group. The activities of the Savings Banks Group comply with the provisions of current legislation, orders issued by the authorities, good banking practice regulations and trading instructions approved by Finance Finland, as well as the governance principles of the Savings Banks Amalgamation along with the Amalgamation's other internal guidelines. Savings Banks Group's social responsibility is also defined in the governance policies.

The social responsibility determined in the governance policies includes financial responsibility, social responsibility, promoting communal wellbeing and environmental responsibility. More information on the Savings Banks Group's responsibility and the Savings Banks Group's annual responsibility report can be found at www.saastopankki.fi.

MATERIAL EVENTS AFTER THE CLOSING DATE

The Savings Banks Group and Cognizant announced on 1 February 2022 that they will terminate their agreement related to the core banking system renewal signed in 2019. Cognizant will pay compensation to the Savings Banks Group for the termination of the agreement. The termination of the agreement will have a positive impact on the Savings Banks Group's operating profit for 2022 but it will not have any impact on the Central Bank of Savings Banks' operating profit for 2022. The Savings Banks Group is determined to continue the development of the core banking system. The termination of the agreement does not affect the services of the Savings Banks Group's customers.

The Board of Directors of SB Central Bank is not aware of any other factors that would materially influence the financial position of the Savings Banks Group after the completion of the financial statements.

OUTLOOK FOR THE YEAR 2022

OUTLOOK FOR THE OPERATIONAL ENVIRONMENT

Global economic recovery is expected to continue in 2022, although the fastest recovery was already seen in 2021. The OECD expects the world economy to grow by 4.5% in 2022 and 3.2% in 2023.

The pandemic will continue to be one of the biggest uncertainties in 2022. It appears that the coronavirus will continue to circulate on Earth for a long time. However, people have learned to live with the virus and vaccinations provide protection, even though it is not perfect. Thus, the impact of the coronavirus on economic activity remains limited. The threat of new variants continues to exist and the situation may change rapidly.

During the COVID-19 crisis crisis, both governments and central banks have vigorously stimulated the economy. These support measures are gradually being reduced, and the Federal Reserve, for example, has already indicated reductions in the securities purchase programme and interest rate increases in 2022. The abandonment of support measures is in fact one of the themes and risks of 2022. While monetary policy is being tightened, interest rates remain low, especially in the euro zone.

Inflation will also remain in the markets' focus in 2022. At the early stages of inflation in 2021, it was expected to be temporary. It now appears that increasing prices are a slightly longer-term phenomenon and high inflation rates will probably be seen in 2022. Consensus forecasts, however, argue for a gradual un-winding of inflation.

Finland's economic recovery will also continue, but at a slower pace than in 2021. The Savings Banks Group estimates that the Finnish economy will grow by 2.6% in 2022. After this, the growth will gradually calm down towards the longer-term potential level, which for Finland means growth of around 1.5%.

The operational environment of companies looks good in 2022. Strong industrial order books will sustain activity and the recovery of the global economy will support the export sector. The diverse challenges of supply chains are expected to gradually ease in 2022. Housing construction will calm down slightly from last year, but the level will still remain good. The recovery in the service sector will also continue, although the disease situation and possible restrictive measures will affect the outlook for the restaurant, event and tourism sectors, for example. If the disease situation eases clearly during the year, high activity can be seen in these sectors as pent-up demand is unleashed.

The year 2022 also looks quite stable from the point of view of households. Unemployment will continue to decrease, and wage developments are expected to sustain purchasing power in spite of higher inflation. The savings accumulated by households during the COVID-19 crisis allow for a rapid increase in consumption, although it appears that a significant part of the accumulated funds will be put to savings. As 2022 begins, consumer confidence has fallen below the long-term average, reflecting an increase in consumer caution.

BUSINESS OUTLOOK

The low level of market interest rates will continue to pose challenges to financial performance in 2022. However, the low interest rates will not jeopardise the performance or capital adequacy of the SB Central Bank.

In 2021, the main focus of the operations of the Central Bank of Savings Banks is to support the implementation of the Savings Banks Group's strategy as part of the Savings Banks Centre.

SB Central Bank's result for 2022 is expected to show a profit.

THE BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF DISTRIBUTABLE FUNDS

SB Central Bank's distributable funds amount to EUR 15,065,302.51.

The SB Central Bank Board of Directors proposes to the Annual General Meeting that the loss for the financial year of EUR -674,338.55 is entered as accumulated retained earnings with no dividend paid.

INFORMATION

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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.

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC: IFRS FINANCIAL STATEMENT 2021

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC

(EUR 1,000)	Note	1-12/2021	1-12/2020
Interest income		18,037	17,094
Interest expense		-8,890	-10,606
Net interest income	6	9,147	6,487
Net fee and commission income	7	8,734	11,114
Net trading income	8	-831	-44
Other operating revenue	10	3,534	3,774
Total operating revenue		20,583	21,332
Personnel expenses	11	-4,893	-4,383
Other operating expenses	12	-14,086	-14,015
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	13	-1,650	-3,279
Total operating expenses		-20,628	-21,678
Net impairment loss on financial assets	14	-537	-1,107
Operating profit		-582	-1,452
Income tax expense	15	-92	65
Profit		-674	-1,387

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Profit	-674	-1,387
Items that will never be reclassified to profit or loss		
Capital gains from items booked to fair value and classified in other comprehensive income	2,486	-
Total	2,486	-
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	-1,849	1,376
Deferred tax from fair value measurements	370	-275
Total	-1,479	1,101
Total comprehensive income	332	-286

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	17	1,006,639	1,170,028
Loans and advances to credit institutions	18	1,393,431	1,333,894
Loans and advances to customers	18	96,774	92,462
Derivatives	19	0	1,471
Investment assets	20	167,084	103,292
Property, plant and equipment	21	62	137
Intangible assets	22	7,515	7,237
Tax assets	23	1,163	1,317
Other assets	24	6,902	107,172
Total assets		2,679,569	2,817,010
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	25	1,244,000	1,099,645
Liabilities to customers	25	325,575	511,102
Derivatives	19	10,150	315
Debt securities issued	26	1,005,628	1,111,076
Tax liabilities	23	273	705
Other liabilities	27	9,992	10,547
Total liabilities		2,595,618	2,733,391
Equity			
Share capital		68,344	68,344
Reserves		19,542	21,022
Retained earnings		-3,935	-5,746
Total equity	28	83,952	83,620
Total liabilities and equity		2,679,569	2,817,010

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1-12/2021	1-12/2020
Cash flows from operating activities		
Profit	-674	-1,387
Adjustments for items without cash flow effect	3,548	4,328
Change in deferred tax	92	65
Cash flows from operating activities before changes in assets and liabilities	2,966	3,006
Increase (-) or decrease (+) in operating assets	-25,555	-154,805
Loans and advances to credit institutions	-57,852	8,422
Loans and advances to customers	-5,168	7,678
Investment assets, at fair value through other comprehensive income	4,364	-53,005
Investment assets, at amortized cost	-110,069	25,152
Investment assets, fair value through profit or loss	42,900	-44,900
Other assets	100,270	-98,152
Increase (-) or decrease (+) in operating liabilities	-137,307	656,483
Liabilities to credit institutions	144,355	311,413
Liabilities to customers	-185,528	461,063
Debt securities issued	-95,670	-115,800
Other liabilities	-464	-192
Total cash flows from operating activities	-159,896	504,684
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets	-1,853	-3,635
Disposals of investment property and property, plant and equipment and intangible assets		24
Total cash flows from investing activities	-1,853	-3,612
Cash flows from financing activities		
Total cash flows from financing activities	0	0
Change in cash and cash equivalents	-161,750	501,072
Cash and cash equivalents at the beginning of the period	1,181,204	680,133
Cash and cash equivalents at the end of the period	1,019,455	1,181,204
Cash and cash equivalents comprise the following items:		
Cash	1,006,639	1,170,028
Receivables from central banks repayable on demand	12,816	11,176
Total cash and cash equivalents	1,019,455	1,181,204
Adjustments for items without cash flow effect		
Impairment losses on financial assets	753	1,074
Changes in fair value	831	44
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,650	3,279
Income taxes	315	-69
Total Adjustments for items without cash flow effect	3,548	4,328
Interest received	18,278	20,098
Interest paid	9,337	12,885

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Fair value reserve	Total reserves	Retained earnings	Total equity
Equity 1 January 2020	68,344	19,000	920	19,920	-4,359	83,906
Comprehensive income						
Profit					-1,387	-1,387
Other comprehensive income			1,101	1,101		1,101
Total comprehensive income			1,101	1,101	-1,387	-286
Total equity 31 December 2020	68,344	19,000	2,022	21,022	-5,746	83,620
Equity 1 January 2021	68,344	19,000	2,022	21,022	-5,746	83,620
Comprehensive income						
Profit					-674	-674
Other comprehensive income			-1,479	-1,479	2,486	1,006
Total comprehensive income			-1,479	-1,479	1,811	332
Total equity 31 December 2021	68,344	19,000	542	19,542	-3,935	83,952

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", "company", "entity") 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 17 Savings Banks of the Amalgamation.

The Savings Banks Group (hereafter Group) is the oldest 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. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers.

The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The service and product companies within the Group support and promote the operations of the Group via producing centralised services or having responsibility for certain products. The most significant service and product companies of the Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Ltd and Sp-Koti Ltd.

The member organizations of the Savings Banks Amalgamation (hereafter 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, 17 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Fund Management Company Ltd, Savings Bank Services Ltd, as well as the companies within the consolidation groups of the above-mentioned entities.

The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers.

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 Sb Life Insurance Ltd and Sp-Koti Ltd. The Savings Banks' Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Group.

Eurajoki Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 December 2021. In connection with this, Eurajoki Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 1 December 2021. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 18 to 17.

Savings Banks' Union Coop steers the operations of the Group and is responsible for the internal control framework. According to the Amalgamation Act, Savings Banks' Union Coop acting as the Central Institution of the Amalgamation is obligated to prepare consolidated financial statements for the Group. SB Central Bank is also included in proportion to the Amalgamation banks' shareholdings. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The financial statements are prepared for the financial group formed by the Group, in which SB Central Bank is also included.

The head office of Central Bank of Savings Banks Finland Plc is in Helsinki, and its registered address is Teollisuuskatu 33, 00510 Helsinki, Finland. A copy of SB Central Bank's financial statement is available online from www.spkeskuspankki.fi or from the Bank's offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

Similarly, a copy of the Group's financial statement is available at the website www.saastopankki.fi/saastopankkiryhma or at the premises of Savings Banks' Union Coop, address Teollisuuskatu 33, 00510 Helsinki.

SB Central Bank's Board of Directors has approved the Bank's financial statement 2021 on 1 February 2022, and the financial statement will be presented to the Annual General Meeting of 2022 for approval. The Annual General Meeting has the choice of approving or not approving the financial statement.

NOTE 2. ACCOUNTING POLICIES

1. OVERVIEW

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

In accordance with the principles of the Act on the Amalgamation of Deposit Banks and the IAS 8 standard concerning accounting policies, adjustments and errors in accounting estimates, the Board of the Savings Banks Association Cooperative confirms any accounting policy for which no guidance is available in the IFRSs.

SB Central Bank's financial statements are presented in euros, which is the Bank's functional currency.

Assets denominated in a foreign currency outside the eurozone are converted into euros at the European Central Bank's average rate on the balance sheet date. Exchange rate differences arising from valuation are recognized as net income from foreign exchange operations under net trading income in the income statement.

SB Central Bank's financial statement is prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss, and the hedged items of fair value hedges (hedged risk), which are measured at fair value.

Assets and liabilities are offset only in the event that SB Central Bank and the counterparty have a legally enforceable right to offset amounts and SB Central Bank intends either to settle the balance on a net basis or realize the asset and settle the liability simultaneously.

In 2021, the Savings Banks Group adopted the agenda decision published by IFRIC in April concerning the accounting treatment of configuration and customisation costs of SaaS arrangements and whether the expenses should be recognised as intangible assets in accordance with IAS 38. Adopting the decision reduced the SB Central Bank's equity by 0.3 million euros.

2. FINANCIAL INSTRUMENTS

2.1 Financial assets and liabilities

SB Central Bank applies IFRS 9 Financial Instruments standard on recognition and measurement of financial instruments. Classification in the SB Central Bank's balance sheet is independent of the IFRS 9 categories. Different valuation bases can therefore be applied to assets and liabilities recognized on the same line in the balance sheet. The classification of financial assets and liabilities recognized in the balance sheet into valuation categories is set out in Note 16.

2.1.1 Initial recognition

A financial asset or liability is recognized on the balance sheet when SB Central Bank becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognized and derecognized using trade date accounting.

Financial assets and liabilities are initially measured at fair value, and in the case of a financial asset or a financial liability not measured at fair value through profit or loss, plus or minus the transaction costs that are directly attributable to the acquisition or issue of that financial asset or financial liability. On subsequent periods transaction costs are recognized through profit or loss as an interest income or expense as a part of the effective interest rate of the financial asset or liability.

2.1.2 Classification of financial assets and the determination of classification

For the purposes of subsequent measurement, SB Central Bank classifies financial assets into following measurement categories:

- Amortized cost

- Fair value through other comprehensive income (fair value reserve)

- Fair value through profit or loss.

Financial assets are classified on initial recognition based on the business model used for managing the group of financial assets in which the financial assets are held and characteristics of the cash flows of the instrument, specifically, whether the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model refers to how SB Central Bank manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If cash flows are realised in a way that is different from the entity's expectations on the date that the entity assessed the business model, that does not give rise to a prior period error in the entity's financial statement, nor does it change the classification of the remaining financial assets held in that business model.

Assessment of cash flow characteristics

Cash flow characteristics means the characteristics of the contractual cash flows of the financial asset. When assessing cash flow characteristics, it is determined whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, for example, interest only consists of consideration for the time value of money, credit risk and other basic lending risks. If the terms of the contract include factors that cannot be considered typical terms for lending, the financial asset is classified as measured at fair value through profit or loss.

Amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest and payments of principal

Debt instruments are measured at fair value and changes in value, less deferred taxes and expected credit loss, are recognized in the statement of comprehensive income.

For debt instruments, the gain or loss on the transfer or sale of a financial asset measured at fair value through other comprehensive income is recognized through profit or loss.

On initial recognition SB Central Bank may make an irrevocable choice to present the subsequent fair value changes of an equity instrument in other comprehensive income. This election is made on instrument basis. These financial assets are measured at fair value and the change in value is recognized, less deferred taxes, in the statement of other comprehensive income. Dividends from equity instruments are recognized in profit or loss when the right to receive payment is established.

Capital repayments from the share are recognized in the statement of other comprehensive income. For equity instruments, unrealized gains or losses accrued in the fair value reserve are not transferred to be recognized through profit or loss at any stage. Instead, the recognition is made through retained earnings within equity.

Financial assets measured at fair value through profit or loss

All items that are not measured at amortized cost or recognized at fair value through other comprehensive income are recognized at fair value through profit or loss. However, a financial asset may, at initial recognition, be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Also classified as measured at fair value through profit or loss are debt instruments for which the cash flow criteria cannot be considered to be met. Sb Central Bank assesses the cash flow criteria separately for each instrument to determine whether the contractual terms of the item give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in the classification of financial assets

Debt instruments are reclassified only when SB Central Bank changes the business models applied in the management of financial assets. SB Central Bank expects such changes to be highly infrequent and has not done any changes during the reporting period.

Changes in contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, SB Central Bank recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

2.1.3 Derecognition of financial assets and liabilities

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred, and the transfer qualifies for derecognition.

A financial asset is considered to be transferred if, and only if, Sb Central Bank either:

- transfers the contractual rights to receive the cash flows of the financial asset; or

- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions stipulated by IFRS 9. A contract can be considered to meet the conditions for such an arrangement if:

- There is no obligation to pay amounts to the eventual recipients unless equivalent amounts are collected from the original asset

- The selling or pledging of the original asset is prohibited by the terms of the transfer contract

When transferring a financial asset, the transfer qualifies for derecognition only if:

- The significant risks and rewards of ownership are transferred; or

- The significant risks and rewards of ownership are not transferred, or they have been retained, but control has been transferred.

A financial liability is derecognized from the statement of financial position when, and only when, it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount and the consideration paid is recognized in profit or loss.

2.2. Determining fair value

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day.

A financial instrument's fair value is based on price quotations obtained from active markets or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of financial assets. If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model.

If there is no well-established valuation technique in the market, the fair value is determined based on a specific valuation model created for the product in question. The valuation models are based on widely used measuring techniques, incorporating all the factors that market participants would consider when setting a price. The valuation prices used include market transaction prices, the discounted cash flow method, as well as the fair value of another substantially similar instrument at the reporting date. The valuation methods take into account an estimate of credit risk, applicable discount rates, early repayment option, and other such factors that may impact reliable determination of the fair value of the financial instrument.

The fair values of financial instruments are divided into three hierarchical levels, depending on how the fair value is defined:

- Fair values quoted in active markets for identical assets or liabilities (Level 1)

- Fair values that are determined using other input data than the quoted prices at Level 1, which are observable for the assets or liabilities either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2)

- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data which is at the lowest level and is significant in respect of the whole item. The significance of input data is evaluated considering the whole item which is valued at fair value.

2.3 Impairment

2.3.1 Expected credit losses

SB Central Bank determines impairments for financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, debt instruments, loan receivables, 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 on the basis of the change in the credit risk of the financial asset between the date of initial recognition and the reporting date as follows:

- 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 likelihood of the credit loss 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 likelihood of the credit loss being incurred within the remaining life of the financial asset.

- Stage 3 includes financial assets that are assessed to be impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the likelihood of the credit loss being incurred within the remaining life of the financial asset.

The assessment of potential changes in credit risk between the date of initial recognition and the reporting date takes into consideration all relevant and available information that can be obtained without unreasonable effort and cost. In assessing the significance of change in credit risk, Sb Central Bank takes into account the following qualitative and quantitative data, amongst others:

- Payment past due: the credit risk associated with a financial asset is assessed to have grown significantly and the contract is migrated from stage 1 to stage 2 when payments are more than 30 days past due. When payments are more than 90 days past due, the financial asset is deemed to be impaired and is migrated from stage 2 to stage 3.

- Forbearance: if the receivable is non-performing, the forbearance concession is interpreted as a significant increase in credit risk and the receivable is migrated from stage 1 to stage 2. If forbearance is applied to a contract that is 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 a customer is found to be in default, the financial asset is deemed to be impaired and is migrated to stage 3.

A customer is classified as being in default when it is likely that the customer cannot meet their credit obligations under the agreed terms in full without SB Central Bank taking action, such as realising the collateral or, at the latest, when payments are more than 90 days past due. In ECL calculation, the Group applies the same definition of default that it applies in its lending rules.

A financial asset can be restored from stage 2 or 3 when its credit risk has improved significantly, and it has fulfilled the criteria for the previous stage continuously for a pre-determined assessment period defined for its migration. For migrating from stage 2 to stage 1, the duration of the assessment period is three months. For migrating from stage 3 to stage 2, the duration of the assessment period is also three months.

SB Central Bank calculates expected credit loss (ECL) for low-risk credit using the Loss Rate model (ECL = Loss Rate * EAD). Low-risk counterparties include the public sector, financial institutions and state-guaranteed student loans. For other credit and securities, the calculation is based on the PD/LGD model (ECL = PD * LGD * EAD).

Loss Rate model components:

- Loss rate %, i.e. the calculation is based on percentage figures established for each counterparty. Determined by the counterparty's sector code.

- EAD, short for Exposure at Default, is the annual average. Due to upcoming instalments, it is usually lower than the contract balance.

The components used in the PD/LGD model:

- PD % (Probability of Default) is based on external and internal credit ratings.

- LGD % (Loss Given Default) takes into consideration the contract's available collateral at the time of default.

- EAD (Exposure at Default). The amount takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which early repayment has been modelled. Off-balance sheet items are considered to remain fixed until the end of the lifecycle of the contract. The undrawn commitment component is included in the calculation in full.

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.

The inclusion of forecasts of future economic development in the calculation of expected credit losses of the credit portfolio has been re-modelled in October 2021. The three scenarios used, and their weights, in the new model are basic 60%, pessimistic 20% and optimistic 20%. They are based on macroeconomic forecasts prepared by the Savings Banks Group's Head of Macro Analysis. The key macroeconomic variables in the new model are EuropeStoxx, GDP and investments. The weights assigned to each scenario are based on the view of the Savings Banks Group's Head of Macro Analysis and senior management regarding the probability of each scenario.

The loss allowance for expected credit loss on a loan is recognized on the balance sheet in a separate account. For loan commitments and financial guarantee contracts, the loss allowance is recognized on the balance sheet as a provision. For debt securities recognized at fair value through other comprehensive income, expected credit loss is recognized as an adjustment to the fair value reserve. Changes in expected credit losses recognized on the balance sheet are presented in the income statement item Impairment losses on financial assets.

Impairment of debt securities

SB Central Bank assesses the expected credit losses of debt securities per purchasing lot by using the PD*LGD*EAD model, the components of which are Probability of Default, Loss Given Default and Exposure at Default.

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 assessment correspond to analysed historical actuals by investment type and are not assessed separately per issuer or investment.

A significant increase in the credit risk of debt securities is assessed with qualitative and quantitative criteria. A contract's credit risk is assessed to have grown significantly when its PD increases either by 10 basis points or 2.5 times its original value, it is subject to forbearance or it involves payments that are more than 30 days past due. Investments related to an issuer in default are classified in stage 3.

2.3.2 Incurred credit losses

Non-recoverable loans and receivables are recorded as a permanent credit loss when the normal collection process is completed, and the final amount of the individual loan or receivable can be measured. Credit losses that are deemed permanent are derecognized as a counterpart to the income statement item Impairment losses on financial assets. Any payments received after derecognition are recognized as adjustments to the income statement item Impairment losses on financial assets.

2.4 Hedging and derivatives

SB Central Bank hedges its interest rate risk from changes in fair value and applies hedge accounting to hedging relationships The hedged items in the fair value hedge are fixed rate lending to Savings Banks and the issued fixed rate bonds.

For hedging relationships under general hedge accounting (fair value hedging), SB Central Bank has adopted IFRS 9 standard.

Derivative contracts are measured at fair value. The fair value of derivatives that hedge fair value is recognized in the balance sheet as a derivative receivable or liability and the change in fair value is recognized in the income statement under "Net trading income". When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortized cost. A change in the hedged item's fair value is recognized as an adjustment to the balance sheet item in question and in the income statement under "Net trading income". Interest on hedging derivatives is presented as interest income and expense depending on their nature.

When hedge accounting begins, the hedging relationship between the hedged item and the hedging derivative is documented, along with the risk management objectives and the strategy for initiating hedging. The effectiveness of the hedging relationship is assessed regularly and always on reporting dates.

3. LEASES

SB Central Bank as the lessee

At the inception of a contract and when the terms and conditions of a contract are changed, SB central Bank assesses whether the contract contains a lease. This assessment is carried out for each lease component within the contract. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control if:

- The contract pertains to an identified and separate asset.
- The contract conveys the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use.
- The contract conveys the right to direct the use and purpose of the identified asset.

At the commencement date of a lease, the lease liability is equal to the present value of the lease payments payable during the lease term. The leases consist of fixed payments and variable lease payments, which depend on an index. Lease liabilities are subsequently measured at amortized cost using the effective interest method. Lease liabilities are reassessed if the future considerations change as a result of a contractual change in an index or price, if the lease term or amount of residual value guarantee changes, or if a purchase option is exercised. If the amount of the lease liability is adjusted due to the reassessment, a corresponding adjustment is made to the right-of-use asset.

The lease term begins at the commencement date specified in the lease. The end of the lease term is determined by the lease. The lease term is reassessed if an option to extend the lease is exercised differently than initially assessed. If the lease term is indefinite, the end of the lease term is considered to be the earliest possible date of termination specified in the lease. The discount rate used is the interest rate at which the Central Bank of Savings Banks provides financing to Savings Banks Group banks.

The value of a right-of-use asset at the commencement date is the lease liability plus payments made to the lessor at or before the commencement date, estimated restoration costs at the end of the lease term and initial direct costs. A right-of-use asset is subsequently measured at cost and amortized according to the lease term. SB Savings Bank recognizes leases as a right-of-use asset under "Right-of-use assets" and a liability under "Provisions and other liabilities".

Short-term leases and assets of low value

IFRS 16 contains two exemptions concerning recognition and measurement. SB Central Bank has decided that leases with a term of 12 months or less and assets whose value does not exceed EUR 5,000 are not recognized as right-of-use assets and no lease liabilities are recognized for them. SB Central Bank expenses such short-term leases and assets of low value during the lease term.

SB Central Bank as the lessor.

SB Central Bank does not act as a lessor.

4. EMPLOYEE BENEFITS

Employee benefits include short-term employee benefits, termination of employment-related benefits, post-employment benefits and other long-term employee benefits. The IAS 19 Employment Benefits standard determines the accounting treatment of employee benefits.

Short-term employee benefits include salaries and benefits, annual leave and bonuses. Short-term employee benefits are expected to be paid in full within 12 months of the financial year, during which the employees perform the work concerned.

Termination benefits are based on the termination of employment, not on the work performed. These benefits consist of redundancy benefits.

Post-employment benefits are paid after the termination of employment. They consist of pensions or other benefits payable after the termination of employment, such as life insurance or health care. Pension plans relating to post-employment benefits are classified as defined benefit plans or defined contribution plans.

A defined contribution plan is a pension plan under which SB Central Bank pays fixed pension contributions into pension insurance companies, and SB Central Bank has no legal or constructive obligations to pay further contributions if the pension insurance company is not able to pay employees the benefits. The most significant defined contribution plan is the basic insurance (TyEL), as stipulated by the Pensions Act. An independent pension insurance company is responsible for this pension security in SB Central Bank.

Other long-term employee benefits are based on a long-lasting employment relationship. They include benefits such as paid leave, a bonus or a gift given on the basis of years of service.

5. INTANGIBLE ASSETS

An intangible asset is an identifiable asset that has no physical substance. In SB Central Bank, intangible assets include information systems purchased from external companies and software licences.

An intangible asset is recognized only when it is probable that economic benefits from the asset are likely to flow to the company and the acquisition cost of the asset can be reliably measured. Future economic benefits may include services or goods, sales revenue, cost savings or other benefits resulting from SB Central Bank exercising the asset.

Intangible assets are initially measured at cost. The cost comprises the purchase price, including all costs that are directly attributable to the asset from acquisition to preparing it to its intended use. The acquisition cost does not include costs attributable to the asset's use, staff training expenses incurred and administrative expenses and other general overheads.

After initial recognition, an intangible asset is carried at its cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their known or estimated useful lives. The useful life of intangible assets is reviewed annually.

An asset is amortized from the date when it is ready for use. An intangible asset that is not yet ready for use is tested annually for impairment.

The estimated useful lives are mainly as follows:

Information systems purchased from external companies .... 3-5 years

Other intangible assets .... 5 years

Intangible assets are recognized in the "Intangible Assets" line item within the balance sheet. Amortisation and impairment losses are recognized in the income statement under "Depreciation, amortisation and impairment losses on tangible and intangible assets".

5.1 Software as a Service (SaaS) projects

In 2021, the Savings Banks Group adopted the agenda decision published by IFRIC in April concerning the accounting treatment of configuration and customisation costs of SaaS arrangements and whether the expenses should be recognised as intangible assets in accordance with IAS 38. Adopting the decision had a minor impact on SB Central Bank's equity.

Cloud-based SaaS arrangements are arrangements in which SB Central Bank does not own the software it uses, and the software is not installed in the SB Central Bank's system environment or on its servers. Instead, its use is based on need, and it is accessed via the Internet or other specified data connection.

Direct costs of deployment, such as the configuration and customisation of the software or system that is the subject of the SaaS arrangement, are recognised on the balance sheet only when the SaaS arrangement generates an intangible asset that is recognised on the balance sheet. Typically, a SaaS arrangement does not meet the criteria for intangible assets because the contract does not constitute control for the buyer, as required by IAS 38.13–16.

The accounting treatment of deployment costs arising from SaaS arrangements is determined by the conclusion as to whether the services are separable from access to the software that is the subject of the arrangement and whether the direct deployment costs create an intangible asset.

The deployment costs are recorded as an expense for the period during which SB Central Bank has access to the software that is the subject of the arrangement, if the services are separable from access to the software that is the subject of the arrangement and the recognition criteria for intangible assets are not met.

The services are considered to be separable from access to the software if SB Central Bank produces the services with its internal resources or if SB Central Bank purchases the services from a third party that is independent of the SaaS provider. When the service is provided by the SaaS provider or when the SaaS provider subcontracts the services to a third party, the service is considered to be separable if it could be provided by another service provider without at the same time giving access to the software that is the subject of the arrangement.

If the service can only be provided by the SaaS provider, the service is not separable from access to the system. In this case, the deployment costs paid for the service are recorded as an expense for the period during which SB Central Bank has access to the software that is the subject of the arrangement.

Expenses arising from the construction of interfaces between software that is recorded as intangible assets on the balance sheet and used through a cloud-based service that is controlled by SB Central Bank may meet the criteria of an intangible asset when a third party that is independent of the SaaS provider writes a new software code that gives control to SB Central Bank.

6. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

SB Central Bank's tangible fixed assets comprise machinery and equipment. Depreciation and impairment losses are recognized in the income statement under "Depreciation, amortisation and impairment losses on tangible and intangible assets".

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The acquisition cost includes all costs that are directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over their estimated useful lives. Costs generated after the original acquisition are capitalised in the carrying amount only when it is probable that the asset will generate greater economic benefits than was initially estimated.

The estimated useful lives are mainly as follows:

Machinery and equipment .... 3-5 years

The residual value and the useful life of an asset is reviewed at each balance sheet date and adjusted to reflect the expected changes in economic benefit.

Gains and losses on retirement and disposal of tangible fixed assets are recognized in income statement and are presented under other operating income and expenses. The capital gain or loss is determined by the difference between the selling price and the remaining acquisition cost.

7. INCOME TAXES

SB Central Bank's income tax for the period comprises current tax, previous years' tax adjustments and changes in deferred taxes. Tax is recognized in income statement except when they relate directly to items recognized directly in equity or in other comprehensive income. In these circumstances the tax is also recognized directly in equity or in other comprehensive income, respectively.

Deferred income tax is recognized on temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax is determined on the basis of the IAS 12 standard using tax rates that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax is realised. A change in deferred tax resulting from changing tax rates is recognized in the income statement or other comprehensive income if the tax was recorded there during earlier financial periods.

A deferred tax asset is recognized for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be probable and unused tax credits can be utilized.

8. OPERATING REVENUE

Interest income and expenses

Interest income and expenses are amortised using the effective interest rate method over the contractual period of the loan and receivable or the liability. With this method, the income and expenses of the instrument are amortised in proportion to the remaining carrying amount of the loan and receivable or the liability in the balance sheet.

When a financial asset is impaired, the original effective interest rate is used to calculate the interest income to the carrying amount of the receivable reduced by impairment loss.

Fees and commissions

Fees and commissions income and expense are generally recognized on an accrual basis. Fees and commissions for performing a service are recognized when the related services are performed. Fees relating to services performed over several years are amortised over the service period. Fees that are directly attributable to a financial instrument are treated as part of an effective interest and accounted for as an adjustment to the effective interest of that financial instrument. Fees, relating to financial instruments classified at fair value through profit or loss are expensed in the income statement on initial recognition

Net trading income

Net income and expenses from fair value hedging and capital gains from securities are recognized in net trading income.

9. SEGMENT INFORMATION

SB Central Bank's management examines its operations as a single segment, meaning that segment-specific information is not provided in accordance with IFRS 8. SB Central Bank's operations are part of the Group's operations, and its financial statements are included in the consolidated financial statements, which is another reason why SB Central Bank's operations have not been divided into segments.

10. NEW IFRS STANDARDS AND INTERPRETATIONS

New and amended standards applied in financial year ended

SB Central Bank has applied, as from 1 January 2021, the following new and amended standards that have entered into effect.

COVID-19-related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 *Leases* (effective from 1 April 2021 for financial years starting at the latest, on or after 1 January 2021)

The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the COVID-19 pandemic and only if certain conditions are met. The change in the standard did not have an impact on SB Central Bank's financial statements.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

The change in the standards did not have an impact on SB Central Bank's financial statements.

Adoption of new and amended standards in future financial years

SB Central Bank has not yet adopted the following new and amended standards and interpretations already issued by the IASB. SB Central Bank will adopt them as of the effective date or, if that date is not the first day of the financial year, from the beginning of the subsequent financial year.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- IFRS 16 *Leases* – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

The changes in the standards will have no significant impact on SB Central Bank's financial statement.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

The change in the standard will have no significant impact on SB Central Bank's financial statement.

Reference to the Conceptual Framework — Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after 1 January 2022)

The amendments update a reference in IFRS 3 and made further reference related amendments. The change in the standard will have no significant impact on SB Central Bank's financial statement.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The change in the standard will have no significant impact on SB Central Bank's financial statement.

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies. The change in the standard will have no significant impact on SB Central Bank's financial statement.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

The change in the standard will have no significant impact on SB Central Bank's financial statement.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

The change in the standard will have no significant impact on SB Central Bank's financial statement.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations.

The change in the standard will have no significant impact on SB Central Bank's consolidated financial statement.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 financial statements dated 31 December 2021, the most significant uncertainty influencing the management's estimates has been the prevailing COVID-19 pandemic. There is considerable uncertainty associated with estimating the economic impacts of the coronavirus pandemic, which particularly influences the assessment of the expected credit losses on financial assets.

DETERMINATION OF EXPECTED 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 financial year and the reduced forecast ability of macroeconomic forecasting models have increased the significance of the management's judgment and estimates.

On the balance sheet date, the adjustments based on the management's judgment have been associated especially with receivables in stage 3 and, when assessing the need and extent of adjustments, attention has been paid especially to the following factors that influence the expected credit loss amount.

- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the parameters of the calculation model. Such information includes, for instance, changes in employment, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.
- Change in the credit risk of the receivable counterparty, resulting from factors such as pandemic-related restrictions that influence business or employment that are not included in the calculation model.

Based on an analysis of the credit portfolio, the Central Bank of Savings Banks does not have significant sector-specific risk concentrations that would necessitate increases to the expected credit losses indicated by the forecasting models by making adjustments based on the management's judgment.

In October 2021, the Central Bank of Savings Banks updated the economic forecasts used in the expected credit loss calculation model and the weights set for the scenarios. Further details on the key macroeconomic variables and the weights assigned to the scenarios in the economic forecasts were presented above under "Expected credit losses".

FAIR VALUE MEASUREMENT

The management should consider whether an individual financial instrument is actively traded and whether the market price obtained is a reliable indication of the financial instrument's fair value. In addition, the management must determine when the financial instruments market is not active.

A financial instrument's fair value is based on price quotations obtained from active markets or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of financial assets. If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model.

The management's judgment is required in cases where the financial instrument's fair value is determined using valuation techniques. If observable inputs are not available in the market for the valuation, the management must assess what other inputs should be used in measuring the fair value.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, SB Central Bank assesses whether there is evidence of impairment of incomplete assets. Impairment testing is also carried out whenever there is any indication of impairment. Assessment of impairment of incomplete intangible assets requires the management's judgment.

DEFERRED TAX ASSETS

Deferred tax assets arising from tax losses are recognized to the extent that they are expected to be offset against future taxable profits. Recognition of deferred tax assets requires the management to assess the probability and amount of future taxable profit.

For the basis of recognition of tax assets, SB Central Bank's management has assessed SB Central Bank's future operations, considering the general market situation, Savings Banks Group's future development outlook and changes in operations of SB Central Bank.

Losses incurred in previous years have been recorded in full as a deferred tax asset, with more information presented under Note 23 – Deferred taxes.

RISK MANAGEMENT AND PRINCIPLES OF CAPITAL ADEQUACY MANAGEMENT

NOTE 4: RISK MANAGEMENT AND GOVERNANCE

OBJECTIVE OF RISK MANAGEMENT

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its business operations. The risk bearing capacity comprises adequate and effective risk management based on the nature, scale, and complexity of SB Central Bank's business operations, as well as sufficient amount of liquidity and capitalization needed for profitable business operations.

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Risk management is defined as identification, assessment, quantification, limitation and monitoring of risks arising from business activities and closely related risks. The purpose of risk management is to minimize the likelihood of unforeseeable losses or reputational risk to ensure the implementation of the Group's strategy.

Risk and capital adequacy management enables the identification, assessment, and measurement of risks, limiting them to a level of SB Central Bank's risk appetite. The capital needed for the various risk areas and business lines is determined in a reliable and independent manner and allocated systematically. This is done based on current and planned risk-taking and considering the requirements of appropriate liquidity management.

Risk management is part of SB Central Bank's internal control and an integral part of its operational activities. SB Central Bank has a risk control function that is independent of business operations.

Internal control covers financial and other supervision. Internal control refers to the part of management and operations which aim to ensure:

- the achievement of set objectives and goals
- economical and efficient processes
- the management of the risks involved in operations
- the fairness and accuracy of financial and other management information
- compliance monitoring
- the adequate protection of operations, data, as well as the entity's property and customers' assets and
- adequate and appropriately organized manual and IT systems for the support of operations.

The purpose of internal control at the Central Bank of Savings Banks is to ensure that the objectives and aims set for different levels at the bank are reached in compliance with the agreed and set internal control guidelines. Internal control is supervision by the organization itself, and it primarily concerns the state, quality and results of operations. Internal control is carried out by the Board of Directors, Managing Director, risk control function, supervisors and other employees. Employees are required to report deviations and misconduct if that occurs.

The risk management of the Central Bank of Savings Banks is based on the business strategy, risk management guidelines, authorization system as well as the risk and deviation reports produced in terms of key business areas, confirmed by the Board of Directors.

SB Central Bank does not have excessively large customer or investment portfolio risk concentrations in relation to its financial capacity, and in accordance with its strategy, SB Central Bank will take no such risks.

SB Central Bank maintains its capital adequacy at adequate level. SB Central Bank takes the risk of losses relating to credit and other risks in its financial statements into account with adequate impairment entries and other loss entries.

The Board of Directors is regularly informed on the risk positions and their changes affecting SB Central Bank. The Board also approves the authorizations and guidelines of risk-taking by determining risk limits for accepted risk types. The implementation of the risk strategy is monitored through monitoring and reporting of risk limits and thresholds, carried out by risk control unit independent of business operations. The Board of Directors also approves the authorities and framework for risk-taking by specifying the permitted risk thresholds for different risk types. The responsibility for daily risk monitoring and control is with the management according to set authorizations. The systems and procedures regarding risk reporting and monitoring fulfil the criteria set for risk management, considering the nature, scale and complexity of SB Central Bank's business operations.

SB Central Bank has established the following functions, independent of business operations, to ensure effective and comprehensive internal control system:

- independent risk control

- compliance

- internal audit

The task of the independent Risk Control unit is to ensure and monitor that the risk management framework of the SB Central Bank is adequate in relation to the nature, scale, complexity, and risk level of the SB Central Bank's business operations. The Risk Control unit assists the Board of Directors and senior management of the SB Central Bank in their task to arrange adequate risk management framework and monitor the functionality and efficiency of the risk management framework.

The Compliance unit ensures that SB Central Bank complies with the legislation and authorities' regulation and guidelines. The Compliance unit is responsible for monitoring that SB Central Bank complies with the internal guidelines, ethical guidelines given to the personnel and other guidelines applied within the financial markets.

The Board of Directors of the Central Bank of Savings Banks has established internal audit for the bank and approved the internal audit plan and reporting principles.

The task of internal audit is to assess the scope and adequacy of the internal control of the bank's operating organization and monitor and assess the functioning of the risk management systems. Internal audit reports on its observations to the Managing Director and the Board of Directors.

The Board of Directors of SB Central Bank is responsible for organizing internal control in accordance with legislation, requirements of the authorities and guidelines issued by the Board of Directors of the Central Institution.

The Managing Director and other executives of SB Central Bank are responsible for organizing internal control in accordance with legislation, requirements of the authorities and more detailed internal guidelines issued by the Central Institution and the bank's Board of Directors. The Savings Banks Amalgamation's risk control function maintains and develops methods for managing risks within the Central Institution. This ensures that all, even new, fundamental but previously unidentified risks are covered by the risk management of business lines.

All significant loans or commitments including significant risk are made in accordance with collegial decision-making processes, and there is a lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of decisions made is monitored through an approval and verification process, controls and reconciliations together with adequate follow-up reporting.

In its operations SB Central Bank is exposed to credit, market and operational risks, as well as business and liquidity risks.

Credit and counterparty risks

The credit risk is the most significant risk of the Banking segment. The management and monitoring of the credit risk plays a major role when ensuring the adequacy of capital compared to business risks and losses caused by risk occurrence.

Credit risk is defined as a possibility that counterparty may not meet its contractual obligations. The main source of credit risk is lending, but credit risks (counterparty risk) may also arise from other types of assets, such as bank deposits, securities in investment portfolio and derivative contracts, as well as off balance-sheet liabilities, such as undrawn credit facilities and limits as well as granted guarantees.

The objective of credit risk management is to limit the impacts on profit and loss or capital adequacy of risks arising from customer liabilities at an acceptable level. The business and risk management strategies approved by the Board of Directors set the maximum exposures for concentration risks and control investment and lending activities.

During the review period, SB Central Bank granted loans to Amalgamation banks. The decisions on loans granted to Savings Banks are made at SB Central Bank in accordance with the policies approved by Savings Banks Union Coop and the Board of SB Central Bank. Due to the joint liability, no specific plan on impairments has been prepared for these loans.

The credit decisions regarding unsecured lending to Savings Banks Group's strategic partners are made by the Board of SB Central Bank. Related credit risk monitoring is based partly on the daily monitoring and reconciliation process of the credit accounts. Monitoring is supported by the facts that the companies are owned by credit institutions operating in Finland, and a regular communication at least on monthly basis is established.

SB Central Bank serves as the issuer of payment and credit cards and consumer credit loans in the Savings Bank Group. The latter is based on credit guidelines that determine the principles of granting loans, as well as credit authority levels and responsibilities, among other aspects. The credit risk associated with the credit card portfolio is managed through credit management guidelines on matters such as the principles and responsibilities for the credit granting process. The credit risk strategy determines specific measures in the event of exceeded credit limits.

During the year, SB Central Bank made investments in debt instruments, both those acceptable as collateral for central bank funding and others, in accordance with the counterparty risk strategy approved by the Board of SB Central Bank.

SB Central Bank has no non-credit institution client entities with liabilities exceeding the limit set by the Act on Credit Institutions of 10 per cent of the banks' equity (so-called large exposures). The credit risks in the SB Central Bank's loan portfolio are at a low level in relation to the Bank's annual profit levels and risk-bearing capacity.

Doubtful exposures

Doubtful exposures, delayed payments, forborne exposures and non-performing receivables are monitored regularly. Doubtful exposures refer to liabilities for which the customer is classified as being in default either due to significant receivables being more than 90 days past due or due to it being deemed unlikely, for other reasons, that the customer will fulfil their obligations.

Delayed payment refers to the customer's receivables being overdue for 30–89 days and the customer being a potential problem customer. A non-performing receivable is the remaining principal, reported as a receivable that is more than 90 days past due, of a receivable for which the interest of principal has been due and unpaid for more than three months.

In certain circumstances if the customer would otherwise face financial difficulties in the future the customer may be granted a change in the terms and conditions of the loan, for example interest-only period or restructuring the loan. The reason for these arrangements is to ensure the customers' ability to pay and avoid possible credit losses. The prerequisite for granting any forbearance measures to the loans is that the customers' financial difficulties are estimated to be short-termed and temporary.

Credit card and consumer credit exposures by risk-rating class:

SB CENTRAL BANKS' CREDIT CARD AND CONSUMER CREDIT EXPOSURES BY RISK-RATING CLASS:

(EUR 1,000)	31.12.2021			
Description	Phase 1	Phase 2	Phase 3	Total
1 Excellent	95,745	1,854	0	97,599
2 Good	194	0	0	194
3 Good	468	0	0	468
4 Average	2,268	307	0	2,575
5 Average	49	24	0	73
6 Weak	117	0	0	117
7 Overdues, non-impaired	23	258	0	281
8 Overdues, non-impaired	18	1,187	0	1,205
D Impaired	0	0	1,428	1,428
Total	98,883	3,630	1,428	103,941

The most significant part of other exposures than credit card exposures are loans granted to Savings Banks in the Amalgamation, which are in risk-rating class and stage 1.

Impairment and expected credit losses are described in the accounting policies section of the financial statements.

LIQUIDITY RISK

Liquidity risk refers to a bank's ability to fulfil its commitments. Liquidity risk may arise from the uncontrollability and/or foreseeability of incoming and outgoing cash flows. Liquidity risk also comprises an uncontrollable rise in funding costs. Liquidity risk may be further divided into short-term liquidity risk and long-term funding risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid assets to ensure sufficient liquidity. SB Central Bank's liquidity remained good throughout 2021. Daily liquidity is monitored at SB Central Bank and a daily liquidity position report of Amalgamation member banks is also provided to the Savings Banks Union Coop risk control unit. Funding risk is managed by ensuring adequate long-term financing in relation to long-term receivables.

Maturity distribution of financial assets and liabilities:

Financial assets

(EUR 1,000)	2021				
	under 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash and cash equivalents	1,006,639				1,006,639
Loans and advances to credit institutions	182,500	218,200	773,701	120,500	1,294,901
Loans and advances to customers	95,731	48	564	524	97,000
Investment assets	63,318		53,827	50,000	167,145
Total	1,348,188	218,248	828,092	171,024	2,565,685

Financial liabilities

(EUR 1,000)	2021				
	under 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Liabilities to credit institutions	971,000	130,000	143,000		1,244,000
Liabilities to customers	10,075	240,500	75,000		325,575
Debt securities issued	117,025	189,855	518,712	193,050	1,018,642
Off balance-sheet commitments	276,730		131,500		408,230
Total	1,375,829	560,355	868,212	193,050	2,996,447

Financial assets

(EUR 1,000)	2020				
	under 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash and cash equivalents	1,170,028				1,170,028
Loans and advances to credit institutions	233,110	576,000	462,284	62,500	1,333,894
Loans and advances to customers	92,462				92,462
Investment assets	48,499		50,367	4,426	103,292
Total	1,544,099	576,000	512,651	66,926	2,699,677

Financial liabilities

(EUR 1,000)	2020				
	under 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Liabilities to credit institutions	880,412	219,233			1,099,645
Liabilities to customers	176,102	260,000	75,000		511,102
Debt securities issued	319,838	132,938	448,923	209,376	1,111,075
Off balance-sheet commitments	265,285	20,000	43,500		328,785
Total	1,641,637	632,171	567,423	209,376	3,050,607

Market risk

Market risk refers to the impact of interest rates and market prices on the bank's income statement and own funds. Market risks arise from the banking book, comprised of lending, wholesale funding and the investment portfolio. Of the market risks, SB Central Bank was exposed to interest rate and currency risk in the reporting period 2021, as described below.

Interest rate risk

Interest rate risk is the effect of interest rate changes on the market value of the bank's balance sheet and off balance-sheet items and on the net interest income. SB Central Bank monitors interest rate risk both with present value and income risk method. Furthermore, interest rate risk can divide into the following risk types:

- yield curve risk, which arises as a result of the impact of changes in the interest rate curve on the present value of the future cash flows of assets and liabilities

- re-pricing risk, which arises from the difference between maturities for fixed rate assets and liabilities and from the timing mismatch between re-pricing for floating rate assets and liabilities

- basis risk, arising from the different interest rate bases of assets and liabilities

- optionality risk, arising from stand-alone and embedded options in which the decision to exercise may depend on interest rates. These include call and put options embedded in bonds, which entitle to an early redemption of a loan or an early withdrawal without compensation.

The purpose of the management of interest rate risks is to stabilize the net interest income and present value at a level where bank's business is profitable and to limit their fluctuations without threatening the capital adequacy even by severe changes in the interest rate environment. The Bank's appetite for interest rate risk has described by the interest rate limits set by the Board of Directors. Interest rate risk is possible to manage by modifying the product and balance sheet structure, by planning the interest rate structure and maturities for investments and issued funding and by hedging interest rate derivatives. SB Central Bank hedges its interest rate risk from changes in fair value and applies hedge accounting for the hedge relationships. The hedged items in the fair value hedge are fixed rate lending to Savings Banks and the issued fixed rate bond.

The interest rate risks of SB Central bank are measured on a monthly basis through the change in net interest income and in the present value of the balance sheet. Present value method measures the change of the present value of assets and liabilities when the market interest rates change. In the income risk model, the future net interest income is forecast with a horizon of one year when the market interest rates change.

Interest rate sensitivity analysis, parallel change of 1 percentage point in the yield curve.

CHANGE IN NET INTEREST INCOME:

(EUR 1,000)	31.12.2021	
Period	Down	Up
Change, next 12 months	1 782	2 843
Change, 12-24 months	2 989	2792

Bank's interest rate risk is reported regularly to the Board of Directors, which has given the maximum amount to SB Central Bank's interest rate risk in its guidelines.

CURRENCY RISK

Currency risk refers to the effect of changes in foreign exchange rates on income statement or equity. SB Central Bank is exposed to currency risk to a minor extent due to shares in the investment portfolio, which are essential to the payment card issuance business. Open foreign exchange exposure is not allowed in the lending or liquidity portfolios of the member credit institutions of the Savings Banks Amalgamation. Foreign exchange exposure is monitored in accordance with the method used in capital adequacy calculation (the capital requirement is calculated if the total net foreign exchange exposure is over 2% of the total amount of own funds).

OPERATIONAL RISK

Operational risks refer to the risk of loss arising from inadequate or failed internal processes, personnel, systems, or external factors. Legal risks are also included in operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have assessed in the evaluation of operational risks. Strategic risks have here excluded from operational risks.

Sb Central Bank's operations comply with the current legislation, government regulations, the rules of good banking practices as confirmed by the Federation of Finnish Financial Services and the principles of the management of operational risks, along with other internal guidelines of the Amalgamation.

SB Central Bank identifies and documents operational risks associated with products, services, operations, processes, and systems. The monitoring and control measures are determined through the identification of operational risks. Some of the losses caused by operational risks are covered by insurance. In addition, preparedness for significant operational disruptions is ensured through continuity plans. Regular reports are submitted to SB Central Bank's management on operational risks and actual losses, as well as near-miss situations.

During the financial year 2021, no such operational risks materialised that would cause financial loss. Disruption reports were prepared for the operational risks that realised during the year. The disruptions resulted mainly from malfunctions in information systems and process errors and typically required manual investigations at SB Central Bank.

LEGAL RISKS

Legal risks refer to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. Sb Central Bank comply with standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, legal services are used and external experts are consulted when needed.

Compliance function has been established to ensure that SB Central Bank comply with regulations and internal guidelines. Compliance function's responsibility is to ensure that SB Central Bank comply with laws, regulations and guidelines. Compliance function also ensures that the SB Central Bank comply with its own internal guidelines, ethical principles for personnel and other instructions.

BUSINESS RISK

Business risk describes the impact of uncertainties caused by the operating environment on Group's business. Business risks arise from competition, from changes in markets and customer behavior as well as from unexpected income fluctuations. Business risks can also arise by choosing a wrong strategy, ineffective management or slow response to changes in the operating environment. The strategic and business planning are the tools to manage and minimize the business risks.

NOTE 5. CAPITAL ADEQUACY MANAGEMENT

SB Central Bank has adopted capital adequacy management process, the objective of which is to ensure the bank's risk-bearing capacity is sufficient in relation to all the major risks resulting from its business operations. SB Central Bank identifies and comprehensively assesses the risks associated with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks. The internal capital requirements specified through the capital adequacy management are based on the capital requirements under Pillar I and risks outside Pillar I, such as interest rate risk of the banking book, market risk of the investment portfolio and business risk. In the internal assessment process, SB Central Bank estimates the amount of capital that will also be sufficient to cover unexpected losses arising from risks outside Pillar I.

In line with its strategy, SB Central Bank provides Savings Banks with various central credit institution services, such as payment transaction and account operator services for all Savings Banks and payment card and consumer credit loan issuing for customers of Savings Banks' clients, as well as services related to liquidity management, funding and asset and liability management. SB Central Bank focuses to operate only these business areas to keep its risks manageable.

The Board of Directors of the bank has overall responsibility for capital adequacy management. The Bank's Board of Directors approves the basis, objectives and principles of capital adequacy management. Moreover, the Board of Directors confirms the general requirements for the measurement and assessment of capital adequacy and the general principles for the capital adequacy management process. In practice this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the business operations and changes in the operating environmentThe capital adequacy, liquidity and riskpositions of the entities belonging to the Savings Bank Amalgamation are monitored and consolidated at the Amalgamation level. The Board of Directors of the Central Institution has set target levels for the capital adequacy of the Amalgamation and banks, which are monitored quarterly.

Stress tests

As part of the capital adequacy management process, SB Central Bank uses stress tests to assess its own risk position and the adequacy of its capital. Stress tests are used when assessing how various exceptionally severe but possible scenarios may affect profitability, capital adequacy and adequacy of own funds. Stress tests are designed to identify the key risks to SB Central Bank and assess how vulnerable the structure of the Bank is in relation to the occurrence of those risks. The objective of the capital adequacy management is also to maintain and develop the quality of risk management framework.

Capital contingency plan

The capital contingency plan of SB Central Bank is made in order to be prepared for unforeseeable events that may threaten the bank's capital adequacy. The capital contingency plan includes target levels and thresholds set by the Board of Directors for the quantity and quality of the capital, which are monitored quarterly. The capital contingency plan describes the actions to be taken by the management and the Board of Directors in the event that the capital adequacy ratio falls below the threshold.

PILLAR I CAPITAL REQUIREMENTS

The biggest capital requirements of SB Central Bank are comprised of card credit receivables. The standard method is applied to calculate the capital requirement for credit risk of the Bank. The capital requirement for operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure.

OWN FUNDS AND CAPITAL ADEQUACY

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 currently 1.25 (1.25) %. Based on the Financial Supervisory Authority's decision in November 2021, the Pillar II capital requirement will rise to 1.5 % effective from 30 June 2022. 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.

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 percent-age 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 2021, the Board of the Financial Supervisory Authority decided to change the maximum lending ratio so that the maximum lending ratio of other than first-home buyers is reduced by 5 percentage points to 85 %. The amendment entered into force on 1 October 2021. In addition, the Financial Supervisory Authority decided not to impose 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 De-posit 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.

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 or from the Savings Banks Union Coop offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

SB Central Bank's own funds totaled EUR 75.2 (75.6) million, while the minimum requirement for own funds was EUR 20.2 (24.7) million. The Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital, amounting to EUR 75.2 million. The capital reserves consist mostly of common equity tier 1 capital.

SB Central Bank's capital adequacy ratio was high at 39.1 (32.2) per cent at year-end. 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%.

CAPITAL ADEQUACY

Own Funds (EUR 1,000)	**2021**	**2020**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	83,952	83,620
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-8,745	-8,055
Common Equity Tier 1 (CET1) capital	75,206	75,564
Tier 1 capital (T1 = CET1 + AT1)	75,206	75,564
Total capital (TC = T1 + T2)	75,206	75,564
Risk weighted assets	192,333	234,847
of which: credit and counterparty risk	151,362	188,947
of which: credit valuation adjustment (CVA)	856	833
of which: market risk	-	4,026
of which: operational risk	40,115	41,040
Minimum total capital requirement	15,387	18,788
Excess total capital	59,820	56,777
Common Equity Tier 1 (as a percentage of total risk exposure amount)	39.1	32.2
Tier 1 (as a percentage of total risk exposure amount)	39.1	32.2
Total capital (as a percentage of total risk exposure amount)	39.1	32.2
Capital requirement		
Total capital	75,206	75,564
Capital requirement total*	20,195	24,659
Capital buffer	55,011	50,905

*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 5.3 % (2.6 %). 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 exposures. 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.

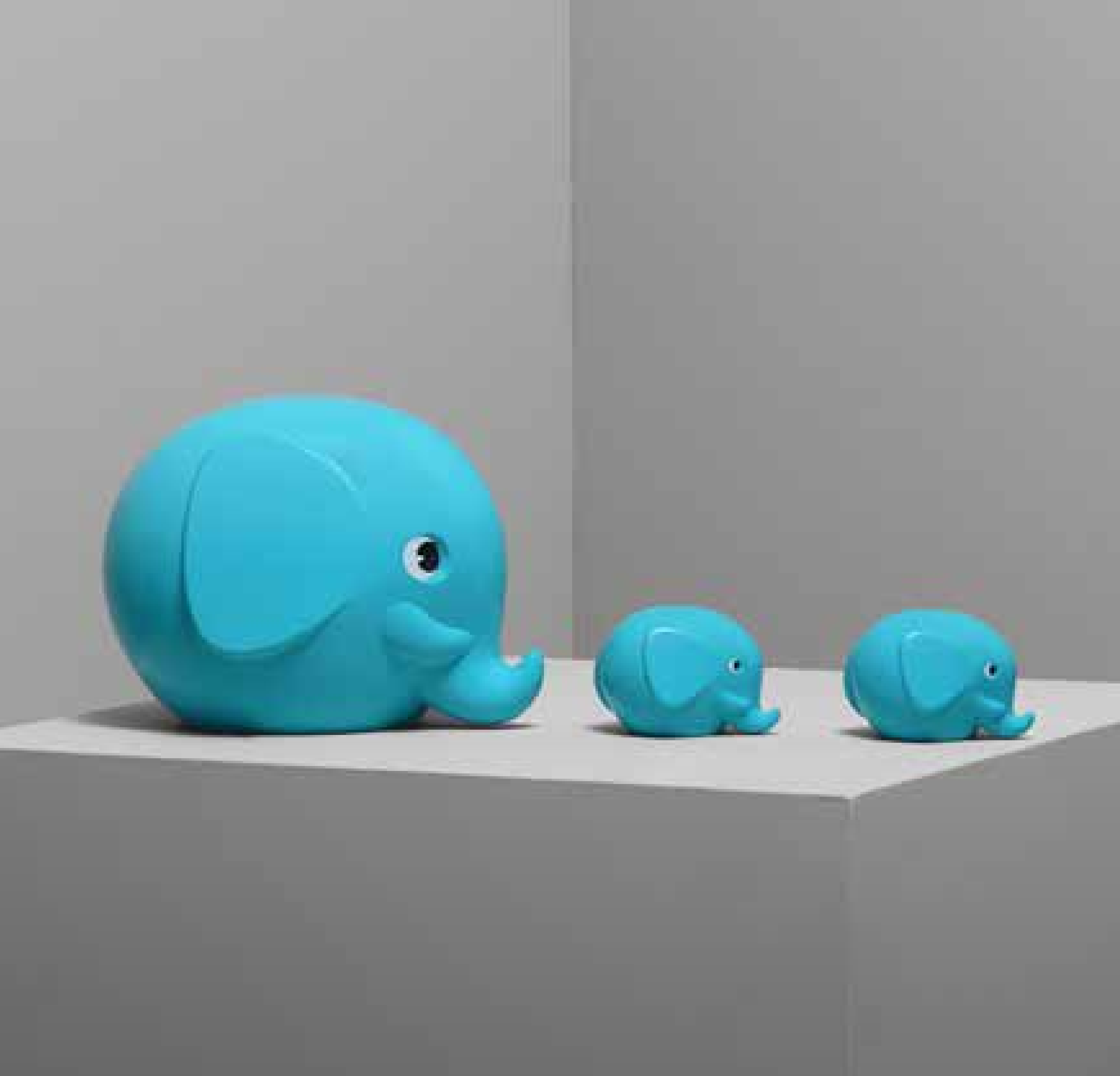
LEVERAGE RATIO

(EUR 1,000)	2021	2020
Tier 1 capital	75,206	75,564
Leverage ratio exposure	1,407,959	2,878,392
Leverage ratio	5.3	2.6

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 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement will enter into force in full as of 1 January 2022 for the Savings Banks Amalgamation and with transitional provisions as of 1 January 2022 for Sp Mortgage Bank Plc. The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. The Financial Stability Authority decided that 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. As of 1 January 2024, the MREL requirement in full for Sp Mortgage Bank Plc is 15.71 % of the total risk amount or 5.91 % of the total exposures, whichever is higher. In addition to the requirement calculated based on overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.



PROFIT FOR THE PERIOD

NOTE 6. NET INTEREST INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Interest income		
Debts eligible for refinancing with Central Bank	331	330
Loans and advances to credit institutions	6,761	7,111
Loans and advances to customers*	7,880	6,670
Debt securities	18	13
Derivative contracts		
Hedging derivatives	1,074	2,001
Other**	1,973	968
Total	18,037	17,094
Interest expense		
Liabilities to credit institutions***	-4,072	-3,632
Liabilities to customers	-246	-318
Derivative contracts		
Hedging derivatives	-486	-1,325
Debt securities issued	-4,085	-5,330
Other	-1	-1
Total	-8,890	-10,606
Net interest income	9,147	6,487
* of which interest income from loans in stage 3	99	52

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

*** is largely made up of the negative interest on central bank deposits which was 3.616 thousand (3.211 thousand).

NOTE 7. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Fee and commission income		
Lending*	15,279	15,196
Payment transfers	5,885	5,460
Securities	1,859	1,795
Other	379	628
Total	23,402	23,080
Fee and commission expense		
Payment transfers	-3,508	-3,301
Securities	-656	-601
Other**	-10,504	-8,063
Total	-14,668	-11,965
Net fee and commission income	8,734	11,114

*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 8. NET TRADING INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Change in hedging instruments' fair value	-11,285	1,013
Change in hedged items' fair value	9,847	-1,057
Capital gains, securities	607	0
Total	-831	-44

NOTE 9. INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

(EUR 1,000)	1-12/2021	1-12/2020
Amortized cost investments - interest income	16,962	14,862
Fair value through other comprehensive income - interest income	343	231
Financial incomes	17,305	15,093
Financial liabilities measured at amortized cost - interest expense	-4,788	-6,071
Financial assets at fair value through profit or loss - interest expense	-3616	-3,211
Amortized costs investments - impairment loss	-585	-921
Fair value through other comprehensive financial assets - impairment loss	47	-185
Finance expenses	-8,942	-10,388
Net income and expenses from financial instruments	8,364	4,704

NOTE 10. OTHER OPERATING REVENUE

(EUR 1,000)	1-12/2021	1-12/2020
Other income from Banking*	3,534	3,774
Other operating revenue	3,534	3,774

* Other operating income consisted during the reporting period, as during the comparison period, of income from exchange of credit card receivables and commission related to payment card issuing and service fees based on service agreements produced for the Savings Banks Group.

NOTE 11. PERSONNEL EXPENSES

(EUR 1,000)	1-12/2021	1-12/2020
Wages and salaries	-4,028	-3,687
Pension expenses		
Defined contribution plans	-695	-568
Other personnel related costs	-170	-128
Personnel expenses	-4,893	-4,383
Full-time	46	46
Part-time	1	2
Temporary	1	2
Total	48	48
Number of employees converted to FTEs	48	44
Average number of FTEs during the financial year	49	47

NOTE 12. OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2021	1-12/2020
Other administrative expenses		
Other personnel expenses	-115	-134
Office expenses	-6,546	-6,452
ICT expenses	-5,104	-5,366
Telecommunications	-467	-442
Representation expenses		
Marketing	-13	-11
Total	-12,246	-12,404
Other operating expenses		
Rental expenses	-353	-370
Expenses arising from owner-occupied property	-24	-53
Other operating expenses**	-1,463	-1,188
Total	-1,840	-1,611
Other operating expenses	-14,086	-14,015
****Audit fees**		
Statutory audit	-34	-21
Audit related services	-11	-
Other services	-27	-27
Total	-72	-48

NOTE 13. DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(EUR 1,000)	1-12/2021	1-12/2020
Depreciation and amortisation of property, plant and equipment	-55	-64
Depreciation and amortisation of intangible assets	-1,595	-922
Impairment intangible assets	-	-2,293
Total depreciation and amortisation	-1,650	-3,279

NOTE 14. 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	
Expected Credit Losses 1 January 2021	260	192	1,133	1,585
Transfers to Stage 1	11	-57	-44	-90
Transfers to Stage 2	-27	296	-26	243
Transfers to Stage 3	-1	-140	1,221	1,081
New assets originated or purchased	56	2		58
Assets derecognised or repaid (excluding write offs)	-9	-20	-635	-664
Amounts written off			-537	-537
Toteutuneiden luottotappioiden palautukset			215	215
Change in credit risk without change in Stage	-118	-69	81	-106
Changes in ECL model	11	9		19
Net change in ECL	-78	21	275	219
Expected Credit Losses 31 December 2021	182	214	1,407	1,804

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 2021	212	-	-	212
New assets originated or purchased	162			162
Assets derecognised or repaid (excluding write offs)	-168			-168
Net change in ECL	-6	-	-	-6
Expected Credit Losses 31 December 2021	206	-	-	206

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 2021	186	-	-	186
New assets originated or purchased	50			50
Assets derecognised or repaid (excluding write offs)	-47			-47
Net change in ECL	3	-	-	3
Expected Credit Losses 31 December 2021	188	-	-	188
Expected Credit Losses 31 December 2021 total	577	214	1,407	2,198
Net change in ECL 1.1.-31.12.2021: loans and advances, off-balanse sheet and investment assets	-81	21	275	215

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 2020	186	265	911	1,363
Transfers to Stage 1	4	-27		-23
Transfers to Stage 2	-15	138		123
Transfers to Stage 3	-2	-33	991	956
New assets originated or purchased	3	10	45	58
Assets derecognised or repaid	-10	-61	-221	-292
Amounts written off			-589	-589
Change in credit risk without change in Stage	21	-66	-3	-49
Changes in ECL model	73	-34		38
Net change in ECL	74	-73	222	222
Expected Credit Losses 31 December 2020	260	192	1,133	1,585

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 2020	215	-	-	215
New assets originated or purchased	140			140
Assets derecognised or repaid (excluding write offs)	-143			-143
Net change in ECL	-3	-	-	-3
Expected Credit Losses 31 December 2020	212	-	-	212

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 (excluding write offs)	-395			-395
Net change in ECL	-209	-	-	-209
Expected Credit Losses 31 December 2020	186	-	-	186
Expected Credit Losses 31 December 2020 total	658	192	1,133	1,983
Net change in ECL 1.1.-31.12.2020: loans and advances, off-balanse sheet and investment assets	-138	-73	222	10

NOTE 15. INCOME TAXES

(EUR 1,000)	1-12/2021	1-12/2020
Change in deferred tax assets	-92	65
Change in deferred tax liabilities	-	-
Income taxes	-92	65
Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate		
Accounting operating profit	-582	-1,452
Differences between accounting and taxable profit	2,721	4
Taxable profit	2,139	-1,448
Tax using the domestic corporation tax rate	-116	290
Tax-exempt income		-
Non-deductible expenses	43	2
Unrecognised deductible expenses	-	5
Unrecognised taxable income	501	-
Use of approved tax losses for prior years	-520	57
Recognition of previously unrecognised tax losses	-	-290
Tax expense	-92	65
Corporate income tax rate	20 %	20 %

ASSETS

NOTE 16. 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
31.12.2021				
Cash and cash equivalents			1,006,639	1,006,639
Loans and advances to credit institutions	1,393,431			1,393,431
Loans and advances to customers	96,774			96,774
Derivatives				
hedging derivatives				-
fair value				-
Investment assets	110,019	55,064	2,000	167,084
Total assets	1,600,225	55,064	1,008,639	2,663,928
Liabilities to credit institutions	1,244,000			1,244,000
Liabilities to customers	325,575			325,575
Derivatives				
hedging derivatives			10,150	10,150
fair value			10,150	10,150
Debt securities issued	1,005,628			1,005,628
Total liabilities	2,575,203		10,150	2,585,353

(EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
31.12.2020				
Cash and cash equivalents			1,170,028	1,170,028
Loans and advances to credit institutions	1,333,894			1,333,894
Loans and advances to customers	92,462			92,462
Derivatives				
hedging derivatives			1,471	1,471
fair value			1,471	1,471
Investment assets	0	58,392	44,900	103,292
Total assets	1,426,356	58,392	1,216,399	2,701,147
Liabilities to credit institutions	1,099,645			1,099,645
Liabilities to customers	511,102			511,102
Derivatives				
hedging derivatives			315	315
fair value			315	315
Debt securities issued	1,111,076			1,111,076
Total liabilities	2,721,823		315	2,722,139

NOTE 17. CASH AND CASH EQUIVALENTS

(EUR 1,000)	1-12/2021	1-12/2020
Receivables from central banks repayable on demand	1,006,639	1,170,028
Cash and cash equivalents	1,006,639	1,170,028

NOTE 18. LOANS AND ADVANCES

31.12.2021 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	98,604		98,604
Loans and other receivables	1,295,015	-187	1,294,828
Total	1,393,619	-187	1,393,431
Loans and advances to customers			
Used overdrafts	1,082	-2	1,081
Credit cards	97,434	-1,741	95,693
Total	98,517	-1,743	96,774
Loans and advances total	1,492,135	-1,930	1,490,206

31.12.2020 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	85,923	-23	85,900
Loans and other receivables	1,248,174	-180	1,247,994
Total	1,334,097	-203	1,333,894
Loans and advances to customers			
Used overdrafts	52	-1	50
Credit cards	93,834	-1,423	92,412
Total	93,886	-1,424	92,462
Loans and advances total	1,427,983	-1,627	1,426,356

NOTE 19. 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 lend-ing 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 corre-sponding 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.

31.12.2021	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	10,000	40,000	168,000	218,000	0	10,150
Total	10,000	40,000	168,000	218,000	0	10,150

31.12.2020	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	15,000	20,000	178,000	213,000	1,471	315
Total	15,000	20,000	178,000	213,000	1,471	315

*Fixed rate loans to amalgamation banks (Savings banks) designated as exposures in fair value hedging groups have total nominal value of EUR 20,000,000.00 and total fair value of EUR 20,000,000.00. Nominal values of hedges equal to the nominal values of exposures.

Fixed rate issued bonds designated as exposures in fair value hedging groups have total nominal value of EUR 198,000,000.00 and total fair value of EUR 200,177,450.00. Nominal values of hedges equal to the nominal values of exposures.

NOTE 20. INVESTMENT ASSETS

(EUR 1,000)	1-12/2021	1-12/2020
At fair value through other comprehensive income		
Debt securities	53,827	54,366
Shares and participations	1,237	4,026
Total	55,064	58,392
Fair value through profit or loss		
Debt securities		
Shares and participations	2,000	44,900
Total	2,000	44,900
Amortized cost investments		
Debt securities	110,069	-
Expected Credit Losses	-50	
Total	110,019	-
Investment assets	167,084	103,292

BREAKDOWN BY ISSUER OF QUOTATION

2021 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
Other				
From others	55,064	2,000	110,019	167,084
Total	55,064	2,000	110,019	167,084

2020 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
From public entities				-
From others		44,500		44,500
Other				
From others	58,392	400		58,792
Total	58,392	44,900	-	103,292

NOTE 21. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31.12.2021	31.12.2020
Machinery and equipment	49	109
Other tangible assets	13	28
Property, plant and equipment	62	137

31.12.2021
(EUR 1,000)

Changes in property, plant and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January	327	72	399
Increases			
Decreases	-59		-59
Acquisition cost 31 December	268	72	340
Accumulated depreciation and impairments 1 January	-218	-44	-262
Depreciation for the financial year	-41	-14	-55
Decreases	40		40
Accumulated depreciation and impairments 31 December	-219	-59	-278
Carrying amount 31 December	49	13	62

31.12.2020
(EUR 1,000)

Changes in property, plant and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January	359	72	430
Increases			
Decreases	-32		-32
Acquisition cost 31 December	327	72	399
Accumulated depreciation and impairments 1 January	-176	-30	-206
Depreciation for the financial year	-50	-14	-64
Decreases	7		7
Accumulated depreciation and impairments 31 December	-218	-44	-262
Carrying amount 31 December	109	28	137

NOTE 22. INTANGIBLE ASSETS

(EUR 1,000)	31.12.2021	31.12.2020
Intangible rights	5,203	6,668
Intangible assets under development	2,312	569
Intangible assets	7,515	7,237

Intagible rights and intangible assets under development formed a significant part of information systems acquired from external operators.

31.12.2021 (EUR 1,000) Changes in intangible assets	Intangible rights	Intangible assets under development	Total
Acquisition cost 1 January	10,183	569	10,752
Increases	129	1,743	1,873
Decreases			
Acquisition cost 31 December	10,313	2,312	12,625
Accumulated depreciation and impairments 1 January	-3,515	0	-3,515
Depreciation for the financial year	-1,595	0	-1,595
Decreases			
Accumulated depreciation and impairments 31 December	-5,109		-5,109
Carrying amount 31 December	5,203	2,312	7,515

31.12.2020 (EUR 1,000) Changes in intangible assets	Intangible rights	Intangible assets under development	Total
Acquisition cost 1 January	3,511	5,896	9,407
Increases		3,639	3,639
Decreases		-2,293	-2,293
Transfers between items	6,672	-6,672	
Acquisition cost 31 December	10,183	569	10,752
Accumulated depreciation and impairments 1 January	-2,593		-2,593
Depreciation for the financial year	-922		-922
Decreases			
Accumulated depreciation and impairments 31 December	-3,515		-3,515
Carrying amount 31 December	6,668	569	7,237

NOTE 23. DEFERRED TAXES

(EUR 1,000)	31.12.2021	31.12.2020
Deferred tax assets	1,163	1,317
Tax assets	1,163	1,317
Deferred tax liabilities	273	705
Tax liability	273	705

(EUR 1,000)	31.12.2021	31.12.2020
Deferred tax assets		
Impairment	440	397
Financial assets	138	200
Intangible assets	13	9
Approved tax losses	572	711
Total	1,163	1,317

(EUR 1,000)	31.12.2021	31.12.2020
Deferred tax liabilities		
Financial assets	273	705
Total	273	705

(EUR 1,000)	1.1.2021	Change recognised in profit or loss	Financial assets	31.12.2021
Deferred tax assets				
Impairment	397	43		440
Financial assets	200		-62	138
Intangible assets	9	4		13
Approved tax losses	711	-139		572
Total	1,317	-92	-62	1,163

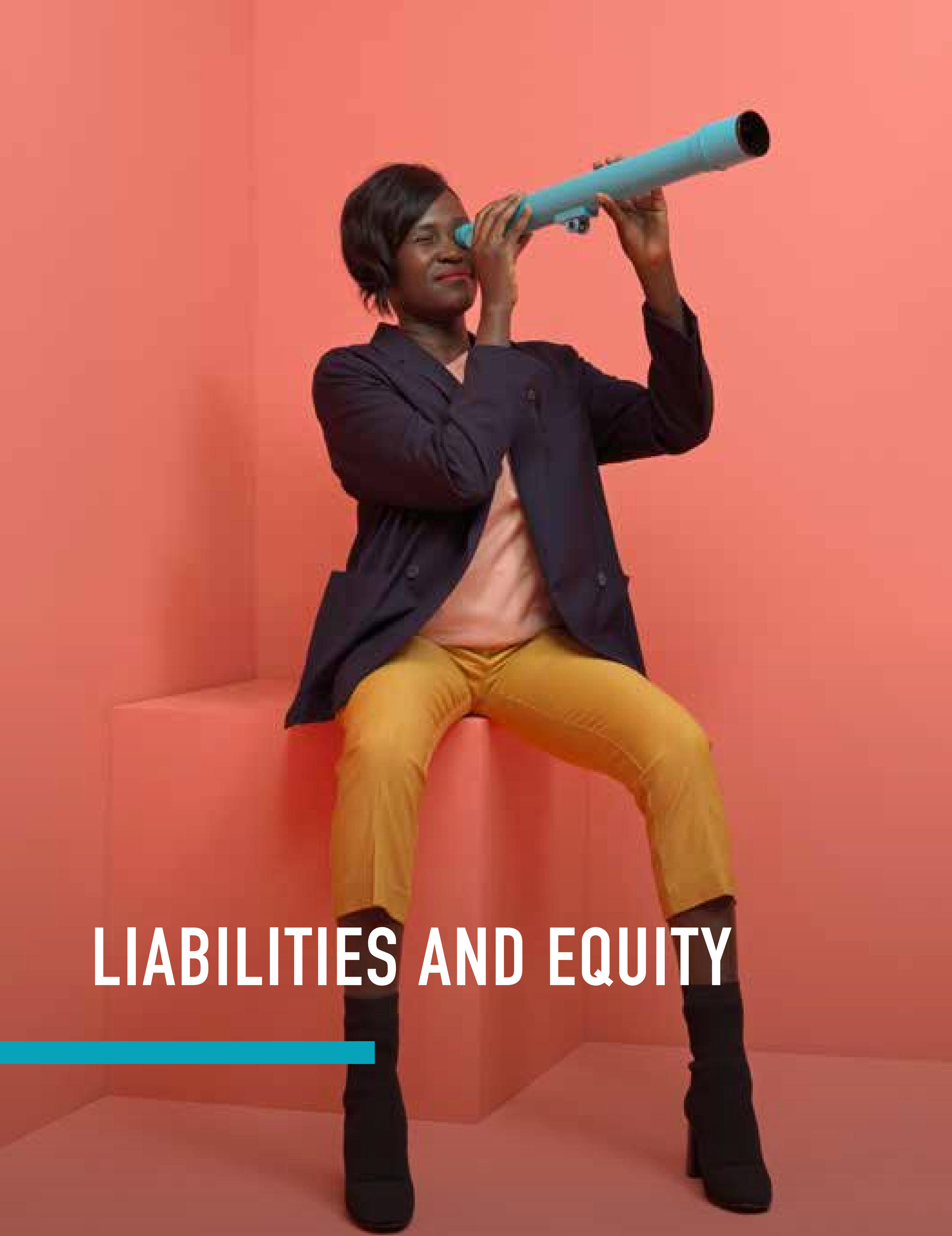
(EUR 1,000)	1.1.2021	Change recognised in profit or loss	Financial assets	31.12.2021
Deferred tax liabilities				
Financial assets	705		432	273
Total	705	-	432	273

(EUR 1,000)	1.1.2020	Change recognised in profit or loss	Financial assets	31.12.2020
Deferred tax assets				
Impairment	392	5		397
Financial assets	0		200	200
Intangible assets	6	4		9
Approved tax losses	655	57		711
Total	1,052	65	200	1,317

(EUR 1,000)	1.1.2020	Change recognised in profit or loss	Financial assets	31.12.2020
Deferred tax liabilities				
Financial assets	230		475	705
Total	230	-	475	705

NOTE 24. OTHER ASSETS

(EUR 1,000)	31.12.2021	31.12.2020
Accrued income and prepaid expenses	5,623	5,751
Interest	3,056	3,302
Other accrued income and prepaid expenses	2,567	2,449
Other	1,279	101,421
Other assets	6,902	107,172



LIABILITIES AND EQUITY

NOTE 25. LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2021	31.12.2020
Liabilities to credit institutions		
Liabilities to central banks	68,000	62,000
Liabilities to credit institutions	1,176,000	1,037,645
Total	1,244,000	1,099,645
Liabilities to customers		
Deposits	75	315
Other financial liabilities*	325,500	511,001
Total	325,575	511,316
Liabilities to credit institutions and customers	1,569,575	1,610,961

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

NOTE 26. DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2021	
Measured at amortized cost	**Nominal value**	**Book value**
Bonds	860,500	851,491
Other		
Certificates of deposit	154,000	154,137
Debt securities issued	1,014,500	1,005,628
Of which		
Variable interest rate	571,500	569,421
Fixed interest rate	443,000	436,207
Total	1,014,500	1,005,628

(EUR 1,000)	31.12.2020	
Measured at amortized cost	**Nominal value**	**Book value**
Bonds	1,044,000	1,045,142
Other		
Certificates of deposit	66,000	65,934
Debt securities issued	1,110,000	1,111,076
Of which		
Variable interest rate	658,000	659,073
Fixed interest rate	452,000	452,003
Total	1,110,000	1,111,076

NOTE 27. PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2021	31.12.2020
Other liabilities	3,625	2,147
Accrued expenses	6,287	8,230
Interest payable	2,104	2,551
Interest advances received	463	489
Other accrued expenses	3,720	5,189
Provisions	80	170
Other provisions*	80	170
Other liabilities	9,992	10,547

* Other provisions are expected credit losses from off balance-sheet commitments.

NOTE 28. CAPITAL AND RESERVES

(EUR 1,000)	31.12.2021	31.12.2020
Share capital	68,344	68,344
Reserves		
Reserve for invested non-restricted equity	19,000	19,000
Fair value reserve	542	2,022
Retained earnings		
Profit (loss) for previous financial years	-3,260	-4,359
Profit (loss) for the financial year	-674	-1,387
Total equity	83,952	83,620

Basic capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

SB Central Bank has in total 17,391 shares without nominal value.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes the portion of subscription price which is not recognised in share capital and, according to the Accounting Act, is not recognised in liabilities, as well as other equity investments which are not recognised in other reserves. Furthermore, the reserve includes the amount by which share capital is reduced and which is not used to cover confirmed loss nor is distributed to shareholders.

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Retained earnings

This item includes the profit for the period as indicated by the income statement, as well as profit for prior periods to the extent that it has not been transferred to other equity items or distributed to shareholders.

Specification of changes in fair value reserve	2021	2020
Fair value reserve 1 January	2,022	920
Profit/loss from fair value measurements, shares	-2,263	1,828
Profit/loss from fair value measurements, debt securities	461	-636
Deferred tax from fair value measurements	370	-275
Expected credit losses from debt securities, fair value through other comprehensive income	-47	185
Deferred tax from expected credit losses	0	0
Fair value reserve 31 December	542	2,022

OTHER NOTES

NOTE 29. COLLATERALS

(EUR 1,000)	31.12.2021	31.12.2020
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Securities	97,610	95,227
Other	10,190	
Collateral given	107,800	95,227
Collateral received		
Securities	47,049	46,247
Other		440
Collateral received	47,049	46,687

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

NOTE 30. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2021	31.12.2020
Guarantees	10,000	10,000
Loan commitments	266,730	255,285
Other*	131,500	63,500
Off balance-sheet commitments	408,230	328,785

* 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 31. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of Central Bank of Savings Banks are subject to ISDA (International Swaps and Derivatives Association) Master Agreement. Under these agreements, 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.

31.12.2021				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
Liabilities						
Derivative contracts				9,650	540	10,190
Total				9,650	540	10,190
Liabilities						
Derivative contracts				10,150	-	10,150
Total				10,150	-	10,150

31.12.2021				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				1,471	440	1,031
Total				1,471	440	1,031
Liabilities						
Derivative contracts				315	-	315
Total				315	-	315

NOTE 32. 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 period 1-12/2021, there were transfers between levels 1, 2 and 3.

Financial assets 31.12.2021	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	1,084,236	1,082,236		2,000	1,084,236
Fair value through other comprehensive income	55,064		54,571	1,237	55,808
Measured at amortized cost	1,524,627	23,044	1,415,312	97,911	1,536,266
Total financial assets	2,663,928	1,105,280	1,469,883	101,148	2,676,311

Financial liabilities 31.12.2021	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	10,150		10,150		10,150
Measured at amortized cost	2,575,203	848,375	1,738,951		2,587,326
Total financial liabilities	2,585,353	848,375	1,749,101	-	2,597,476

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

31.12.2021	Carrying amount	Effect of hypothetical changes'	
(EUR 1,000)		Positive	Negative
At fair value through profit or loss	2,000	2,300	1,700
Fair value through other comprehensive income	1,237	1,423	1,052

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 31.12.2020	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	1,214,928	1,214,528		400	1,214,928
Derivative contracts	1,471		1,471		1,471
Fair value through other comprehensive income	58,392		51,396	8,025	59,421
Measured at amortized cost	1,426,356	85,950	1,258,391	93,343	1,437,684
Total financial assets	2,701,147	1,300,478	1,311,258	101,768	2,713,504

Financial liabilities 31.12.2020	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	315		315		315
Measured at amortized cost	2,721,823	838,014	1,906,143		2,744,157
Total financial liabilities	2,722,139	838,014	1,906,458	-	2,744,472

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 2020	-
Purchases	400
Carrying amount 31 December 2020	400

Fair value through other comprehensive income	
Carrying amount 1 January 2020	2,199
Purchases	4,998
Changes in value recognised in comprehensive income statement	828
Carrying amount 31 December 2020	8,025

NOTE 33. LEASES

SB Central Bank as lessee

SB Central Bank acts as a lessee of printers and laptop computers. SB Central Bank's contracts are classified as short term contracts and right-of-use asset or lease liability is not recognised for them.

Income statement items (EUR 1,000)	2021	2020
Expense relating to short-term leases	42	12
Total	42	12

SB Central Bank doesn't act as a lessor.

NOTE 34. RELATED PARTIES

The related parties of the Sb Central Bank's comprise the key management personnel as well as their close family members. The key management personnel of the Sb Central Bank comprise the members of the Board, Managing Director and her deputy.

With the exception of unsecured card credits, 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.

Key management personnel compensation	2021	2020
(EUR 1,000)		
Short-term employee benefits	261	238
Total	261	238

Key personnel compensation*

2021	Salary and remuneration	Statutory pension expenses
Brander Kai, CEO	229	39
Ahonen Pirkko, member of the Board, until 11 March	1	
Hakala Jussi, member of the Board, as from 11 March	8	
Mangs Monica, member of the Board	6	
Rinta Jarmo, Chairman of the Board of Directors until 11 March	6	
Siviranta Petri, member of the Board, until 11 March	1	
Syvänen Hannu, member of the Board, Vice-Chairman of the Board of Directors	6	
Toivonen Anne, member of the Board, as from 11 March	6	
Total	261	39

Key personnel compensation*

2020	Salary and remuneration	Statutory pension expenses
Brander Kai, CEO	213	34
Ahonen Pirkko, member of the Board, until 11 March	2	
Hakala Jussi, member of the Board, as from 11 March	4	
Mangs Monica, member of the Board	6	
Rinta Jarmo, Chairman of the Board of Directors until 11 March	2	
Siviranta Petri, member of the Board, until 11 March	2	
Syvänen Hannu, member of the Board, Vice-Chairman of the Board of Directors	7	
Toivonen Anne, member of the Board, as from 11 March	4	
Total	238	34

NOTE 35. MATERIAL EVENTS AFTER THE CLOSING DATE

The Savings Banks Group and Cognizant announced on 1 February 2022 that they will terminate their agreement related to the core banking system renewal signed in 2019. Cognizant will pay compensation to the Savings Banks Group for the termination of the agreement. The termination of the agreement will have a positive impact on the Savings Banks Group's operating profit for 2022 but it will not have any impact on the Central Bank of Savings Banks' operating profit for 2022. The Savings Banks Group is determined to continue the development of the core banking system. The termination of the agreement does not affect the services of the Savings Banks Group's customers.

The Board of Directors of SB Central Bank is not aware of any other factors that would materially influence the financial position of the Savings Banks Group after the completion of the financial statements.

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 subconsolidation 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 and Pillar III capital adequacy information of the Savings Banks Group is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

Central Bank
of Savings Banks

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