Central Bank of Savings Banks Finland plc

HALF-YEAR REPORT

FOR 1 JANUARY – 30 JUNE 2022

Central Bank
of Savings Banks

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FOR 1 JANUARY – 30 JUNE 2022

BOARD OF DIRECTORS' REPORT FOR 1 JANUARY – 30 JUNE 2022

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

During the review period SB Central Bank's focus has been maintaining and developing of the functions.

SB Central Bank's operating profit for January–June amounted to EUR 1.4 million, and the balance sheet total amounted to EUR 3,138 million.

THE SAVINGS BANKS' GROUP AND AMALGAMATION OF SAVINGS BANKS

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

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

The member organizations of the Savings Banks Amalgamation (hereinafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 16 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, as well as the companies within the consolidation groups of the above-mentioned entities, Sp-Fund Management Company Ltd and Savings Bank Services Ltd. The structure of the Group differs from that of the Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant of these are Sp-Life Insurance Ltd and Sp-Koti Ltd.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd during the review period. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 16. The transaction outlined in the business transfer plan for Liedon Säästöpankki and Mietoisten Säästöpankki was carried out in March 2022. The changes were internal to the Savings Banks Group, and the arrangements have thus had no impact on the financial result of the Savings Banks Group.

On 13 May 2022, Liedon Säästöpankki announced it will begin merger negotiations with Oma Savings Bank. The decision on the merger will be made in the latter part of 2022.

The Savings Bank Centre initiated change negotiations in May 2022 concerning approximately 470 employees in the Savings Banks' Union Coop, Savings Bank Services, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd and Sb Life Insurance. The aim of the change negotiations was to improve operational efficiency, simplify the organisational structure and clarify the division of labour and responsibilities. It was estimated that, if implemented, the planned measures would lead to the termination of a maximum of 45 positions. The change negotiations were concluded on 21 June 2022. As a result of the negotiations, the employment relationships of 21 employees were terminated. In addition, there were material changes to the duties of some personnel.

As part of the reform, CEO Tomi Närhinen left his position at the Savings Banks' Union Coop by mutual agreement. The management model reform is led by Karri Alameri who has been appointed Acting CEO and took up the position on 27 June 2022.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

GLOBAL ECONOMIC OUTLOOK

The year 2022 began with a fairly positive outlook. The new Omicron variant of COVID-19 spread around the world and led to further shutdown measures in many economies. However, it soon became apparent that the Omicron variant was not very serious, and the outlook was that the pandemic would gradually abate and the service sector, in particular, would finally see a proper recovery. Concerns were raised by rising inflation and the consequent measures by central banks to tighten monetary policy.

The economic outlook then deteriorated substantially in February 2022 due to Russia's attack on Ukraine. The war has an impact on the economy through various channels. The increase in the prices of energy and raw materials accelerated and is now likely to be a longer-term phenomenon. Logistics disruptions have also increased, which also contributes to higher inflation. Another threat is that the war will lead to caution among consumers and the postponement of investments by companies. Trade with Russia has also declined sharply.

Although the rapid acceleration of inflation is undermining consumer purchasing power around the world, there are opposing forces at play that help sustain consumption. The service sector continues to recover after the pandemic, and the focus of consumption is shifting from goods to services. In addition, savings accumulated during the COVID-19 pandemic can now be used to compensate for increased prices.

China also creates challenges to the global economy. Due to China's zero tolerance policy concerning COVID-19, large cities in China have been shut down when the number of infections has increased. Consequently, the COVID-19 situation in China creates volatility and uncertainty in the global economy as a whole.

International economic forecasters have made downward adjustments to their growth forecasts for the global economy due to the war. For example, the OECD adjusted its growth forecast for the global economy from 4.5% to 3.0% in June. The expected year of rapid recovery is turning into a year of fairly weak growth. Fears of a recession have increased, but it can still be avoided.

INTEREST RATE ENVIRONMENT

Having remained practically unchanged in 2021, short-term interest rates in the euro zone increased substantially during the review period and the yield curve has steepened. The 12-month Euribor, which is the dominant reference rate for mortgages, has risen by approximately 1.5 percentage points since the turn of the year. This steepening of the short-term yield curve slightly reduces the burden that the flat yield curve in recent years has placed on net interest incomes in the banking sector. However, at the same time, the end of the European Central Bank's TLTRO programme and the winding down of the purchase programmes have contributed to wider margins in the debt capital markets and thereby increased the costs of wholesale funding for banks.

Long-term interest rates also rose sharply during the review period. The five-year swap rate has increased by approximately two percentage points since the turn of the year. The development of interest rates is difficult to predict due to the opposing forces represented by the interest rate policy communicated by the European Central Bank on the one hand and the expectations of slower economic growth on the other hand.

INVESTMENT MARKETS

The year 2022 has been a turning point in the investment markets. The long increase in returns on investments came to an end in the first half of the year as interest rates turned to sharp growth and, simultaneously, increased uncertainty led to a downturn in the stock markets. Rising inflation has surprised central banks, forcing them to react to the new circumstances by tightening their monetary policy. For a long time, the investment markets have been supported by low interest rates and stimulating monetary policy, but the markets now need to adapt to a new operational environment.

The rise in interest rates reduced sovereign bond yields, and credit risk margins in the corporate bond markets increased, contributing to a significant decline in corporate bond yields. All major stock markets declined during the first half of the year. There were significant differences between sectors, with the energy sector generating the highest returns and share prices in the technology sector falling due to the higher interest rates. Share prices also declined in emerging markets, and their currencies weakened relative to the US dollar.

THE FINNISH ECONOMY

The Finnish economy is affected by the same themes as the global economy: the recovery from the pandemic is continuing, but the war and rising inflation are weakening the economic growth outlook. With regard to the various economic impacts of the war in Ukraine, it is worth noting that Russia has been an important trade partner for Finland. In 2021, Russia was Finland's sixth-most important export market. Exports to Russia plummeted during the spring and are expected to decline further.

Consumer confidence has fallen to a very low level in Finland since the war began. Consumers are pessimistic about their own finances and the outlook of the Finnish economy. Inflation expectations are at a record high. At the same time, households with debt are adversely affected by the rising interest rates. However, there are also positive factors involved in the outlook for households. The labour market situation is still very good. Unemployment has fallen to the lowest level seen since the financial crisis, and there are plenty of vacancies in the job market.

The situation for companies has also deteriorated over the past few months but, on the whole, their outlook remains moderate. Business confidence has decreased, albeit not as sharply as household confidence. The decline in business confidence is the most apparent in the retail and construction sectors. In the manufacturing sector, however, confidence is still above the long-term average, while the service sector is benefiting from the lifting of COVID-19 restrictions. According to an investment survey by the Confederation of Finnish Industries, companies' willingness to invest is fairly high in spite of the prevailing uncertainty.

We expect the Finnish economy to grow by 1.6% in 2022. Growth is likely to slow down next year.

SB CENTRAL BANK'S INCOME STATEMENT AND BALANCE SHEET

FINANCIAL HIGHLIGHTS

(EUR 1,000)	6/2022	12/2021	6/2021
Revenue	23,935	44,142	20,987
Net interest income	6,863	9,147	4,100
% of revenue	28.7 %	20.7 %	19.5 %
Operating profit	1357	-582	-1,075
% of revenue	5.7 %	-1.3 %	-5.1 %
Total operating revenue	11,924	20,583	9,543
Total operating expenses	-10,169	-20,628	-10,205
Cost to income ratio	0.85	1.00	1.07
Total assets	3,137,998	2,679,569	2,705,099
Total equity	84,747	83,952	83,158
Return on equity %	1.3 %	-0.8 %	-1.6 %
Return on assets %	0.04 %	-0.02 %	-0.05 %
Equity/assets ratio %	2.7 %	3.1 %	3.1 %
Solvency ratio %	32.1 %	39.1 %	36.7 %
Impairment losses on loans and other receivables	-398	-537	-414

PROFIT TRENDS (COMPARISON FIGURES 1–6/2021)

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

PROFITS

Our total operating revenue was EUR 11.9 (9.5) million.

Net interest income increased to EUR 6.9 (4.1) million. Interest income developed positively to EUR 11.3 (8.6) million while interest expenses EUR -4.5 (-4.5) million remained on the level of the comparison period. Interest income also includes EUR 0.6 million profits from negative interest expenses of TLTRO-loan. Hedging through interest rate derivatives improved net interest income by EUR 0.3 million.

Net fee and commission income increased EUR 0.8 million to EUR 5.1 (4.3) million. Fee and commission income increased to EUR 12.6 (11.2) million. Fee and commission expenses also increased to EUR -7.5 (-6.9) million due to SB Central Bank being able to direct more customer-based revenues to the member Savings Banks in period between Jan-June 2022 than in the half-year 2021.

Net trading income was EUR -2.4 (-1.2) million comprising only unrealized fair value changes from hedge accounting.

Other operating revenue was EUR 2.4 (2.3) 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 -10.2 (-10.2).

Personnel expenses EUR -2.5 (-2.6) million and other operating expenses EUR -6.9 (-6.8) million remained close to the level of the comparison period.

The level of depreciations EUR -0.8 (-0.8) million remained also in the level of the comparison period.

Net impairment loss on financial assets was EUR -0.4 (-0.4) remained also in the level of the comparison period. The level of realized net credit losses including recoveries was lower than in the previous year but the amount of expected credit losses increased respectively.

BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2021)

The balance sheet of SB Central Bank totaled EUR 3,138 (2,680) million.

WHOLESALE FUNDING AND OTHER FINANCING

The total value of issued bonds was EUR 897 (1,006) million. During the period, SB Central Bank issued new senior unsecured bonds under the EMTN programme with total value of EUR 70.0 million based on the refinancing needs of the Savings Banks Group.

Liabilities to credit institutions totaled EUR 1,731 (1,244) 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 335 (185) million.

Liabilities to customers totaled EUR 366 (326) million and consisted mainly of term deposits from corporates and public entities.

LENDING

Loans and advances to credit institutions totaled EUR 1,684 (1,393) million. The line item consists mainly of unsecured loans (EUR 1,506 million) and repurchase agreements (EUR 42 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 120 (97) million and consisted mainly of credit card and consumer credit balances. In mid-December 2021 SB Central Bank started to grant new unsecured consumer credit to Savings Banks personal banking clients. So far, the new product has generated credit balance of EUR 17 million. SB Central Bank continues to grant new consumer credit to Savings Banks clients during the year 2022. Non-performing receivables from customer lending represented 1.36% (1.35%) of total balances.

INVESTMENT ASSETS

Investment assets totaled EUR 108 (167) and consisted mainly of ECB eligible debt instruments (EUR 100 million) while other debt instruments totaled EUR 3.4 million. SB Central Bank had also invested to non-listed funds with total value of EUR 3.4 million and non-listed equity with total value of EUR 1.2 million.

SHAREHOLDINGS AND EQUITY

SB Central Bank is fully owned by the other amalgamation Savings Banks. SB Central Banks' share capital on 30 June 2022 was EUR 68 (68) million and total equity EUR 85 (84) million.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARATIVE INFORMATION 31 DECEMBER 2021)

At the end of the review period, the SB Central Bank had a strong capital structure, consisting of CET1 capital. Own funds were EUR 75.6 (75.2) million. Risk-weighted assets amounted to EUR 235.3 (192.3) million. The capital ratio of SB Central Bank was 32.1 (39.1) % and the CET1 capital ratio was 32.1 (39.1) %. The leverage ratio of SB Central Bank was 4.4% (5.3%).

The capital requirement of SB Central Bank was EUR 24.7 (20.2) million that equals to 10.5% of risk-weighted assets. The components of the capital requirement have remained unchanged compared to the previous year. The capital requirement 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.

Based on the Financial Supervisory Authority's decision in November 2021, the Pillar II capital requirement for the Savings Banks Amalgamation rose from 1.25% to 1.5% on 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 to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy. On 27 June 2022, the Board of the Financial Supervisory Authority decided to continue its decision not to set any systemic risk buffer yet due to the Russian-Ukraine war, that has, further weakened economic forecasts in Finland and Europe and increased risks for the banking system.

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

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0% risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

The standard method is used to calculate the capital requirement to the credit risk of SB Central Bank and capital requirement to the 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 if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. SB Central Bank does not have a trading book and the amalgamation's business does not involve taking commodity risk.

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

SB Central Bank has published the relevant information about capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Half-year Report.

The Savings Banks Group's financial statements and capital adequacy information according to Pillar III are available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

CAPITAL ADEQUACY

Own Funds (EUR 1,000)	30.6.2022	31.12.2021
Common Equity Tier 1 (CET1) capital before regulatory adjustments	84,747	83,952
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-9,133	-8,745
Common Equity Tier 1 (CET1) capital	75,614	75,206
Tier 1 capital (T1 = CET1 + AT1)	75,614	75,206
Total capital (TC = T1 + T2)	75,614	75,206
Risk weighted assets	235,290	192,333
of which: credit and counterparty risk	176,519	141,521 *
of which: credit valuation adjustment (CVA)	18,656	10,696 *
of which: market risk		-
of which: operational risk	40,115	40,115
Common Equity Tier 1 (as a percentage of total risk exposure amount)	32.1	39.1
Tier 1 (as a percentage of total risk exposure amount)	32.1	39.1
Total capital (as a percentage of total risk exposure amount)	32.1	39.1
Capital requirement		
Total capital	75,614	75,206
Capital requirement total**	24,705	20,195
Capital buffer	50,909	55,011

* Comparison period's figures have been changed.

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

LEVERAGE RATIO

The leverage ratio of SB Central Bank was 4.4% (5.3%) clearly exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. SB Central Bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2022	31.12.2021
Tier 1 capital	75,614	75,206
Leverage ratio exposure	1,714,431	1,407,959
Leverage ratio	4.4	5.3

RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). The Financial Stability Authority is responsible for resolution with regard to the Savings Banks Amalgamation. In April 2022, the Financial Stability Authority updated the minimum requirement for own funds and eligible liabilities (MREL requirement) set for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

From the beginning of 2022, the MREL requirement for the Savings Banks Amalgamation is 22.04% of the total risk exposure amount and 5.91% of the total exposures. Starting from the beginning of 2024, the MREL requirement for the Savings Banks Amalgamation will be 22.28% of the total risk exposure amount and 7.85% of the total exposures.

From the beginning of 2022, the MREL requirement for Sp Mortgage Bank Plc is 16.93% of the total risk exposure amount and 5.1% of the total exposures. Starting from the beginning of 2024, the MREL requirement for Sp Mortgage Bank Plc will be 18.21% of the total risk exposure amount and 5.91% of the total exposures.

The MREL requirement for both the Savings Banks Amalgamation and Sp Mortgage Bank was based on total risk on 30 June 2022. The requirements calculated on the basis of overall risk include institution-specific capital buffer requirements.

RISK POSITION

SB Central Bank's risk position has remained at a good level. Estimates of the impact of the war in Ukraine on risks have an indirect effect on the Group's income and risks, mainly due to customers' changed circumstances and the general market situation.

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

SB Central Bank's capital structure has remained strong despite of the war in Ukraine. The objectives, principles and organization of risk management in SB Central Bank are the same as those presented in the 2021 financial statements.

CREDIT RATING

On 4 February 2022, S&P Global Ratings (S&P) confirmed the long-term credit rating of SB Central Bank at A- and its short-term credit rating at A-2. The outlook remained negative.

SIGNIFICANT EVENTS AFTER THE INTERIM REPORT DATE

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

OUTLOOK FOR THE YEAR

SB Central Bank's result before tax is expected to be profitable.

FURTHER INFORMATION

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

Releases and other corporate information are available on the SB Central Bank's website at www.spkeskus-pankki.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, net investment income, other operating income
Total operating revenue:	Net interest income, net fee and commission income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating expenses:	Personnel expenses, other operating expenses, depreciation and amortisation of plant and equipment and intangible assets

Cost to income ratio: $\dfrac{\text{Total operating expenses}}{\text{Total operating revenue}}$

Return on equity %: $\dfrac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} * 100$

Return on assets %: $\dfrac{\text{Profit}}{\text{Total assets (average)}} * 100$

Equity/assets ratio %: $\dfrac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} * 100$

Solvency ratio %: $\dfrac{\text{Own funds total}}{\text{Risk-weighted assets total}} * 100$

ALTERNATIVE PERFORMANCE MEASURES

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2016. 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 financial statement, nor have any changes occurred in the financial highlights.

HALF-YEAR REPORT (IFRS)

INCOME STATEMENT

(EUR 1,000)	Note	1-6/2022	1-6/2021
Interest income		11,346	8,614
Interest expense		-4,483	-4,513
Net interest income	4	6,863	4,100
Net fee and commission income	5	5,075	4,316
Net trading income *		-2,443	-1,165
Other operating revenue		2,430	2,291
Total operating revenue		11,924	9,543
Personnel expenses		-2,499	-2,583
Other operating expenses		-6,881	-6,830
Depreciation, amortisation and impairment of prop-erty, plant and equip-ment and intangible assets		-790	-791
Total operating expenses		-10,169	-10,205
Net impairment loss on financial assets	6	-398	-414
Operating profit		1,357	-1,075
Income tax expense		-271	-282
Profit		1,086	-1,357

* of which EUR -2.4 million comprising unrealized fair value from hedge accounting

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Profit	1,086	-1,357
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Changes in fair value reserve Fair value measurements	-290	896
Total	-290	896
Total comprehensive income	795	-461

STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2022	31.12.2021
Assets			
Cash and cash equivalents		1,199,669	1,006,639
Loans and advances to credit institutions	8	1,684,086	1,393,431
Loans and advances to customers	8	119,671	96,774
Derivatives	9	7	0
Investment assets	10	107,633	167,084
Property, plant and equipment		41	62
Intangible assets		8,114	7 515
Tax assets		881	1 163
Other assets		17,896	6,902
Total assets		3,137,998	2,679,569
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	1,730,928	1,244,000
Liabilities to customers	11	365,534	325,575
Derivatives	9	42,387	10,150
Debt securities issued	12	896,548	1,005,628
Tax liabilities		190	273
Other liabilities		17,663	9,992
Total liabilities		3,053,251	2,595,618
Equity			
Share capital		68,344	68,344
Reserves		19,252	19,542
Retained earnings		-2,849	-3,935
Total equity		84,747	83,952
Total liabilities and equity		3,137,998	2,679,569

STATEMENT OF CASH FLOWS

(EUR 1,000)	1-6/2022	1-6/2021
Cash flows from operating activities		
Profit	1,086	-1,357
Adjustments for items without cash flow effect	3,585	2,208
Change in deferred tax	271	282
Cash flows from operating activities before changes in assets and liabilities	4,942	1,133
Increase (-) or decrease (+) in operating assets	-264,352	-1,572
Loans and advances to credit institutions	-289,229	-43,142
Loans and advances to customers	-23,248	-326
Investment assets, at fair value through other comprehensive income		3,012
Investment assets, at amortized cost	60,320	
Investment assets, fair value through profit or loss	-1,200	43,700
Other assets	-10,995	-4,816
Increase (-) or decrease (+) in operating liabilities	455,378	-110,990
Liabilities to credit institutions	486,928	150,519
Liabilities to customers	39,959	-120,616
Debt securities issued	-79,184	-144,390
Other liabilities	7,675	3,497
Total cash flows from operating activities	195,968	-111,428
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets	-1,367	-993
Total cash flows from investing activities	-1,367	-993
Change in cash and cash equivalents	194,601	-112,421
Cash and cash equivalents at the beginning of the period	1,019,455	1,181,204
Cash and cash equivalents at the end of the period	1,214,056	1,068,783
Cash and cash equivalents comprise the following items:		
Cash	1,199,669	1,056,831
Receivables from central banks repayable on demand	14,387	11,952
Total cash and cash equivalents	1,214,056	1,068,783
Interest received	9,119	8,524
Interest paid	-4,724	-4,667

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Fair value reserve	Total reserves	Retained earnings	Total equity
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
Equity 1 January 2022	68,344	19,000	542	19,542	-3,935	83,952
Comprehensive income						
Profit					1,086	1,086
Other comprehensive income			-290	-290		-290
Total comprehensive income			-290	-290	1,086	795
Total equity 30 June 2022	68,344	19,000	252	19,252	-2,849	84,747

BASIS OF PREPARATION

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

Central Bank of Savings Banks Finland Plc (hereinafter "SB Central Bank") is a depository bank owned by Finnish Savings Banks. SB Central Bank's primary function is to provide the savings banks and the Savings Banks Group with various central credit institution services. The central credit institution services include payment services and account operator services, payment card issuing for the customers of the member Savings Banks of the Amalgamation, and services related to liquidity management, funding and asset and liability management. SB Central Bank belongs to the Savings Banks Group and its principal owners are the 16 Savings Banks of the Amalgamation.

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

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

The member organizations of the Savings Banks Amalgamation (hereinafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 16 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, as well as the companies within the consolidation groups of the above-mentioned entities, Sp-Fund Management Company Ltd and Savings Bank Services Ltd. The structure of the Group differs from that of the Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant of these are Sp-Life Insurance Ltd and Sp-Koti Ltd.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd during the review period. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 16. The transaction outlined in the business transfer plan for Liedon Säästöpankki and Mietoisten Säästöpankki was carried out in March 2022. The changes were internal to the Savings Banks Group, and the arrangements have thus had no impact on the financial result of the Savings Banks Group.

On 13 May 2022, Liedon Säästöpankki announced it will begin merger negotiations with Oma Savings Bank. The decision on the merger will be made in the latter part of 2022.

NOTE 2. ACCOUNTING POLICIES

OVERVIEW

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

The half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2021. There has not been changes in accounting policies during the reporting period.

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

SB Central Bank's half-year report is presented in euros, which is the Bank's accounting and functional currency. The half-year report is presented in thousands of euros, unless stated otherwise.

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The critical estimates of SB Central Bank concern the future and key uncertainties related to estimates at the reporting date, and they relate in particular to determining fair value, impairment of financial assets and recognition of deferred tax on confirmed tax losses.

The most significant source of uncertainty influencing the management's estimates in the half-year report for the period 1 January – 30 June 2022 concerns the impact of the war in Ukraine and the economic sanctions against Russia on future economic development. There have not been any major changes regarding the uncertainty requiring management to exercise judgment and make estimates and assumptions compared to the financial statement of 2021.

DETERMINATION OF EXPECTED CREDIT LOSSES

SB Central Bank's 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. Recognising 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.

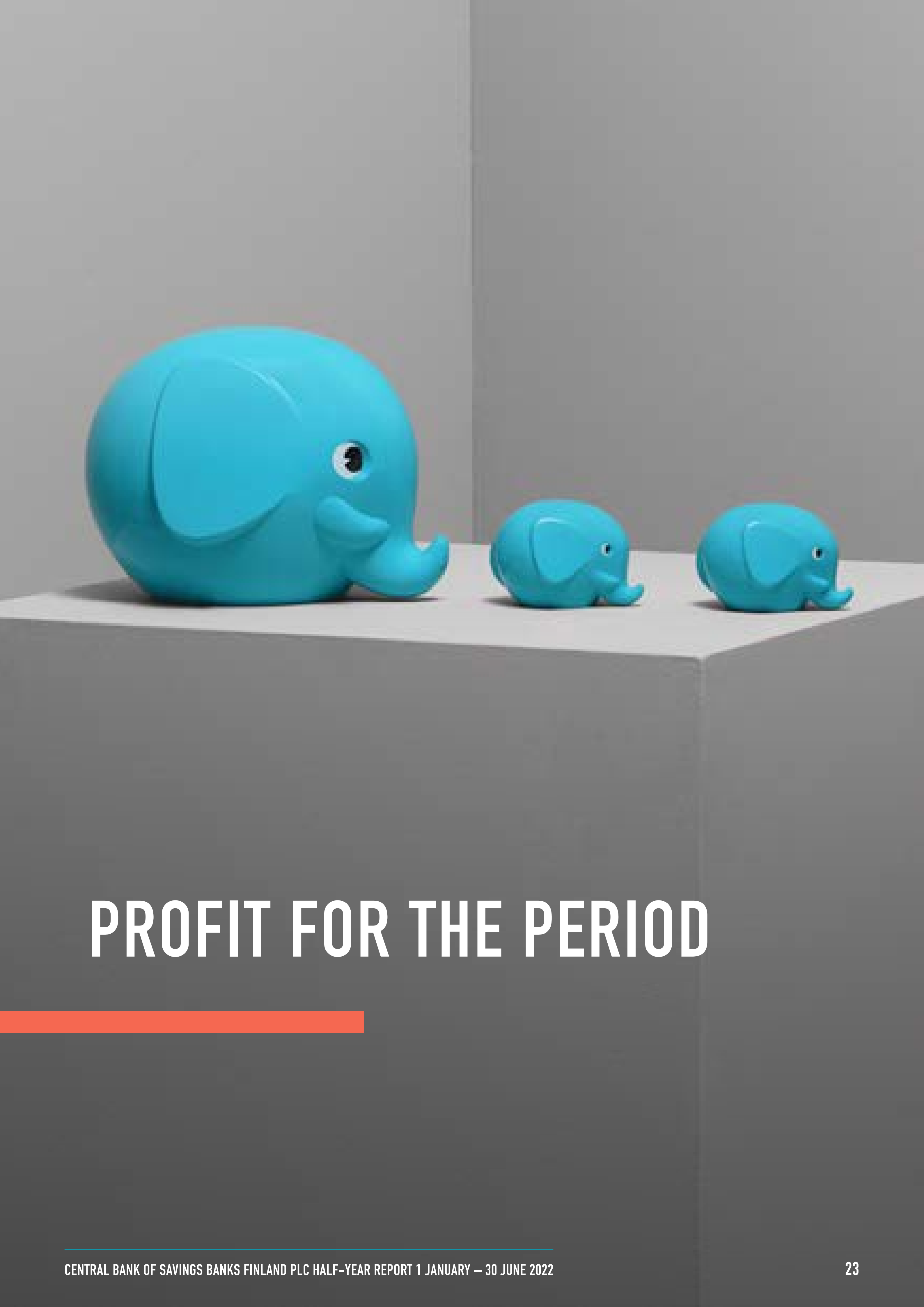
- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level of residential properties, for instance.
- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the calculation model. Such information includes, for instance, changes in employment or the number and duration of instalment-free periods that have been applied for.
- 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, SB Central Bank 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.

SB Central Bank has assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. SB Central Bank does not have significant direct liabilities to Russia, Ukraine or Belarus. Nevertheless, the changed market conditions have indirect impacts on certain industries or individual customer relationships. SB Central Bank has enhanced its monitoring of identified risks that have potentially been elevated by the crisis. In June, SB Central Bank updated the economic forecasts used in the calculation of expected credit losses and the weights set for the scenarios.

NOTE 3. SEGMENT INFORMATION

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



PROFIT FOR THE PERIOD

NOTE 4. NET INTEREST INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Interest income		
Debts eligible for refinancing with Central Bank	139	196
Loans and advances to credit institutions	4,748	3,299
Loans and advances to customers*	4,296	3,889
Debt securities	2	
Derivative contracts		
Hedging derivatives	503	532
Other**	1,659	697
Total	11,344	8,614
Interest expense		
Liabilities to credit institutions***	-1,855	-1,855
Liabilities to customers	-232	-144
Derivative contracts		
Hedging derivatives	-211	-267
Debt securities issued	-2,185	-2,099
Other		-1
Total	-4,483	-4,513
Net interest income	6,863	4,100
*of which interest income from loans in stage	56	1
**)Other interest income is made up of interest charges and limit commission based on account agreements.		
***)The interest expense from Liabilities to credit institutions is largely made up of the negative interest on central bank deposits.		

NOTE 5. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Fee and commission income		
Lending	8,281	7,210
Payment transfers	3,194	2,894
Securities	1,015	994
Other	111	149
Total	12,602	11,247
Fee and commission expense		
Payment transfers	-1,588	-1,429
Securities	-387	-357
Other*	-5,551	-5,145
Total	-7,527	-6,931
Net fee and commission income	5,075	4,316

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

NOTE 6. IMPAIRMENT LOSS ON FINANCIAL ASSETS

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 amortised 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.

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.

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

- Weakening of credit rating: the credit risk of a financial asset is considered to have increased significantly and the agreement transitions from stage 1 to stage 2, if the credit rating of the agreement decreased by a minimum of four credit ratings.

- 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.

- PD% increase (investment assets): credit risk is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the relative or absolute threshold for PD% increases is exceeded.

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

The tables below present the development of expected credit losses as of the beginning of the review period.

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 2022	182	214	1,407	1,804
Transfers to Stage 1	7	-25		-18
Transfers to Stage 2	-36	195	-7	152
Transfers to Stage 3		-106	663	556
New assets originated or purchased	46		2	48
Assets derecognised or repaid	-1	-2	-311	-314
Amounts written off			-134	-134
Amounts recovered			88	88
Change in credit risk without change in Stage	34	-40	-23	-29
Manual corrections, on credit level				
Net change in ECL	50	21	278	349
Expected Credit Losses 30 June 2022	232	234	1,685	2,152

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND OFF-BALANCE SHEET

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2022	206			206
New assets originated or purchased	73			73
Assets derecognised or repaid	-38			-38
Net change in ECL	36	-	-	36
Expected Credit Losses 30 June 2022	242	-	-	242

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 2022	188			188
New assets originated or purchased	22			22
Assets derecognised or repaid	-54			-54
Net change in ECL	-32	-	-	-32
Expected Credit Losses 30 June 2022	156	-	-	156
Expected Credit Losses 30 June 2022 total	630	234	1,685	2,550
Net change in ECL 1.1.-30.6.2022: loans and advances, off-balanse sheet and investment assets	53	21	278	352

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	-9	-20	-635	-664
Amounts written off			-537	-537
Amounts recovered			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

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

SB Central Bank's assessment of expected credit loss is based on the PD*LGD*EAD model. For low-risk counterparties – including the public sector, financial institutions, and state-guaranteed student loans – the calculation is based on the Loss Rate model (Loss Rate*EAD). The calculations are carried out separately for each contract and based on the following parameters:

- PD% (only the PD/LGD model): probability of default based on external and internal credit ratings.

- Loss Rate% (only the Loss Rate model): a percentage figure established for each counterparty based on their sector code.

- LGD %: estimated loss at the time of default, takes into consideration the contract's available collateral.

- EAD: exposure at default is the annual average and takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which it 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.

SB Central Bank assesses expected credit losses of debt securities belonging to investment assets by purchasing lot by using the PD*LGD*EAD model. The probability of default (PD) is based on credit ratings provided by Bloomberg and, if they are not available, external credit rating information, which is converted into PD values. The LGD values used in the calculation correspond to analysed historical actuals by investment type and are not assessed separately by issuer or investment.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The effect of the changes in macroeconomic forecasts is modelled in the PD parameter that is used in calculation of ECL. The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the third-year values of the forecast period. The scenarios have been updated in June 2022.

The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2022	2023	2024
- Change in EuropeStoxx%	0.0% / 8.0%	3.0% / 6.0%	6.0%
- Change in GDP	0.0% / 2.5%	1.0% / 2.0%	1.20%
- Investments	2.0% / 4.0%	2.0% / 3.0%	1.50%

EFFECT OF CHANGES IN THE ECL MODEL

Change in the criteria of impairment stage 2

The stage 2 criteria for calculation of expected credit losses for loans and advances have been changed by replacing the previously applied criteria of credit rating deterioration by four credit grades with increase in PD%. Following the amendment, the contract will migrate to stage 2, if any of the following criteria is met:

- payment delay of more than 30 days,
- PD% increase that exceeds the defined absolute or relative thresholds; or
- performing contract is marked as forborne.

Following the amendment there were contracts that migrated to stage 2. The effect of the amendment is presented in the line change in mode for calculation of ECL.

Impacts of the war in Ukraine and the economic sanctions against Russia

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. At the time of reporting, the Savings Banks Group does not have significant direct or indirect sector-specific risk concentrations related to the Ukrainian, Russian or Belarusian markets in sectors such as agriculture, logistics, construction or industries dependent on energy commodities. If the exceptional situation continues, the member banks of the Savings Banks Group will monitor and report the development of their customers' credit risk and, if necessary, make an adjustment, based on the management's assessment, to the amount of expected credit losses.

The macroeconomic forecasts used in calculation of expected credit losses were updated in June 2022.

ASSETS

NOTE 7. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or losst	Total
30.6.2022				
Cash and cash equivalents			1,199,669	1,199,669
Loans and advances to credit institutions	1,684,086			1,684,086
Loans and advances to customers	119,671			119,671
Derivatives				
fair value hedging		7		7
Investment assets	49,727	54,706	3,200	107,633
Total assets	1,853,484	54,713	1,202,869	3,111,067
Liabilities to credit institutions	1,730,928			1,730,928
Liabilities to customers	365,534			365,534
Derivatives				
fair value hedging			42,387	42,387
Debt securities issued	896,548			896,548
Total liabilities	2,993,011		42,387	3,035,398

(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				
fair value hedging			10,150	10,150
Debt securities issued	1,005,628			1,005,628
Total liabilities	2,575,203		10,150	2,585,353

NOTE 8. LOANS AND ADVANCES

(EUR 1,000) 30.6.2022	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	136,838		136,838
Loans and other receivables	1,547,472	-224	1,547,249
Total	1,684,310	-224	1,684,086
Loans and advances to customers			
by product			
Used overdrafts	19,345	-60	19,285
Credit cards	102,419	-2,033	100,386
Total	121,764	-2,093	119,671
Loans and advances total	1,806,074	-2,316	1,803,757

(EUR 1,000) 31.12.2021	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	1,393,432
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

NOTE 9. DERIVATIVES AND HEDGE ACCOUNTING

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

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

30.6.2022	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	20,000	30,000	168,000	218,000	7	42,387
Total	20,000	30,000	168,000	218,000	7	42,387

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

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 20 005 860.00. 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 158 775 006.00. Nominal values of hedges equal to the nominal values of exposures.

NOTE 10. INVESTMENT ASSETS

(EUR 1,000)	30.6.2022	31.12.2021
At fair value through other comprehensive income		
Debt securities	53,481	53,827
Shares and participations	1,225	1,237
Total	54,706	55,064
Fair value through profit or loss		
Debt securities		
Shares and participations	3,200	2,000
Total	3,200	2,000
Amortised cost investments		
Debt securities	49,749	110,069
Expected Credit Losses	-22	-50
Total	49,727	110,019
Investment assets	107,633	167,084

BREAKDOWN BY ISSUER OF QUOTATION

30.6.2022 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortised cost	Total
Quoted				
Other	54,706	3,200	49,727	107,633
Total	54,706	3,200	49,727	107,633

31.12.2021 (1 000 euroa)	Measured at fair value through other comprehensive income	Fair value through profit or lost	Measured at amortised cost	Total
Quoted				
Other	55,064	2,000	110,019	167 084
Total	55,064	2,000	110,019	167 084

LIABILITIES

NOTE 11. LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2022	31.12.2021
Liabilities to credit institutions		
Liabilities to central banks*	68,000	68,000
Liabilities to credit institutions	1,662,928	1,176,000
Total	1,730,928	1,244,000
Liabilities to customers		
Deposits	52	75
Other financial liabilities**	365,482	325,500
Total	365,482	325,575
Liabilities to credit institutions and customers	2,096,462	1,569,575

*Liabilities to central banks include collateralized TLTRO III funding of which 30 million euros will mature on 18.12.2024 and 38 million euros on 27.3.2024. Interest for the period 24.6.2020 - 23.6.2022 was ECB deposit rate (-0,5%) deducted by additional interest of -0,5% due to the Savings Banks Group being able to fulfill the criteria set by the ECB for the growth of net lending during the review periods. Interest for the period between 24.6.2022 and the original maturity date or early redemption date will be fixed based on the ECB's average deposit rate during the whole duration of the loans.

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

NOTE 12. DEBT SECURITIES ISSUED

	30.6.2022		31.12.2021	
(EUR 1,000)	Nominal value	Book value	Nominal value	Book value
Measured at amortised cost				
Bonds	827,500	788,672	860,500	851,491
Other				
Certificates of deposit	108,000	107,877	154,000	154,137
Debt securities issued	935,500	896,548	1,014,500	1,005,628
Of which				
Variable interest rate	400,000	401,241	571,500	569,421
Fixed interest rate	535,500	495,308	443,000	436,207
Total	935,500	896,548	1,014,500	1,005,628

During the period, SB Central Bank issued new senior unsecured bonds under the EMTN programme with total value of EUR 70.0 million based on the refinancing needs of the Savings Banks Group.

OTHER NOTES

NOTE 13. FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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

Investment property in the Group's financial statements is measured at cost less depreciation and impairment. The fair value of investment property is presented in the notes. Fair values are determined on the basis of market prices which are as comparable as possible or a valuation model which is based on net income from investment property. An independent appraiser's opinion on the valuation is sought for the most material properties.

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 the 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 1-6/2022, there were not transfers between levels 1, 2 and 3.

Financial assets 30.6.2022	Carrying amount	Fair value by hierarchy level			
(1,000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss	3,200			3,200	3,200
Derivative contracts	7		7		7
Fair value through other comprehensive income	54,706		53,481	1,225	54,706
Measured at amortised cost	2,993,011	1,338,505	1,582,013	118,598	3,039,116
Total financial assets	3,050,923	1,338,505	1,635,501	123,023	3,097,029

Financial liabilities 30.6.2022	Carrying amount	Fair value by hierarchy level			
(1,000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	42,387		42,387		42,387
Measured at amortised cost	2,993,011	1,281,980	1,689,214		2,971,194
Total financial liabilities	3,035,398	1,281,980	1,731,601		3,013,582

Changes at level 3

Reconciliation of changes in financial instruments at level 3

At fair value through profit or loss	
Carrying amount 31.12.2021	2,000
Purchases	1,200
Carrying amount 30.06.2022	3,200

Fair value through other comprehensive income	
Carrying amount 31.12.2021	1,237
Changes in value recognised in comprehensive income statement	-12
Carrying amount 30.06.2022	1,225

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

30.6.2022	Carrying amount	Effect of hypothetical changes	
(1,000 euros)		**Positive**	**Negative**
At fair value through profit or loss	3,200	3,680	2,720
Fair value through other comprehensive income	1,225	1,408	1,041

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 31.12.2021	Carrying amount	Fair value by hierarchy level			
(1,000 euros)		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
At fair value through profit or loss	1,084,236	1,082,236		2,000	1,084,236
Derivative contracts					
Fair value through other comprehensive income	55,064		54,571	1,237	55,808
Measured at amortised 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			
(1,000 euros)		**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
Derivative contracts	10,150		10,150		10,150
Measured at amortised 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

NOTE 14. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the SB Central Bank are subject to ISDA Master Agreement. Based on ISDA agreement, derivative payments may be offset by payment transaction on each payment date as well as in the event of counterparty default or bankruptcy.

In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

30.6.2022				Amounts which are not offset but are subject to enforceable		
(1,000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held as collateral	Net amount
Assets						
Derivative contracts				7		7
Total				7		7
Liabilities						
Derivative contracts				42,387	46,610	-4,223
Total				42,387	46,610	-4,223

31.12.2021				Amounts which are not offset but are subject to enforceable		
(1,000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held as collateral	Net amount
Assets						
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

NOTE 15. COLLATERALS

(EUR 1,000)	30.6.2022	31.12.2021
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Securities	93,322	97,610
Other	46,610	10,190
Collateral given	139,932	107,800
Collateral received		
Securities	43,171	47,049
Other		
Collateral received	43,171	47,049

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

NOTE 16. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2022	31.12.2021
Guarantees	10,000	10,000
Loan commitments	272,594	266,730
Other*	124,000	131,500
Off balance-sheet commitments	406,594	408,230

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

NOTE 17. RELATED PARTIES

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

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

NOTE 18. PILLAR III DISCLOSURES

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

A copy of the financial statement of the Savings Banks Group is available online at www.saastopankki.fi or from the Savings Banks' Union Coop offices at Teollisuuskatu 33, FI-00510 Helsinki, Finland.

Central Bank
of Savings Banks

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