CENTRAL BANK OF SAVINGS BANKS FINLANDS PLC'S

BOARD OF DIRECTORS' REPORT AND IFRS FINANCIAL STATEMENTS

31.12.2023

Central Bank
of Savings Banks

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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 the Savings Banks Group with various central credit institution services. The central credit institution services focus on payment transactions and account management services, issue services for the payment cards of the member Savings Banks (hereinafter also "Savings Banks") of the Amalgamation, consumer lending to private customers, and services related to liquidity management, refinancing and asset and liability management. SB Central Bank is part of the Savings Banks Amalgamation.

In 2023, the focus of SB Central Bank business was offering high-quality services and continuous service development.

SB Central Bank's profit for the financial year was EUR 18.3 million, and the balance sheet total amounted to EUR 3.4 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 is the most long-standing banking group in Finland. It comprises the Savings Banks that form the Savings Banks Amalgamation, the Savings Banks' Union Coop that acts as the Central Institution, and the subsidiaries and associated companies owned jointly by the banks.

The member companies of the Savings Banks Amalgamation form a financial institution as defined in the Act on the Amalgamation of Deposit Banks, in which Savings Banks' Union coop and its member credit institutions are ultimately jointly and severally liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop which acts as the central institution of the Amalgamation, 14 Savings Banks, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Sp-Fund Management Company Ltd. The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy Ltd.

Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. According to the accounting principles confirmed by Savings Banks' Union Coop, Lieto Savings Bank's result for 2023 is included in the Savings Banks Group's result until the date of the demerger. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

The global economy

The year 2023 began in a fairly bleak economic climate. There were fears that the energy crisis would lead to a recession, particularly in Europe. It was also expected that the sharply increased interest rates would substantially dampen economic growth.

As it turned out, economies were more resilient than expected in the face of these pressures, and global economic growth slowed less than anticipated. The overall growth of the global economy for the year is likely to be just over 3%, which is under the long-term average. While the energy crisis weakened economic growth in Europe in particular, businesses and households adapted to the circumstances surprisingly well. The rise in interest rates has dampened economic growth, but major problems have been avoided.

There were significant regional differences in economic growth in 2023. Europe was again the weak link. The German economy suffered from the energy crisis in particular. Economic growth in the eurozone as a whole is expected to have been only slightly above zero in 2023, and the eurozone economy likely entered into a recession in the latter part of the year.

The Chinese economy saw brisk growth in early 2023 when COVID-19 lockdowns were finally discontinued. However, the recovery was rather short-lived, and the Chinese central government introduced various stimulus measures late in the year to boost the economy. The growth target of 5% is likely to be achieved for 2023. The real estate sector continues to be a problem in the Chinese economy.

Economic growth in the United States remained surprisingly strong in spite of the higher interest rates. The US economy is expected to have grown by more than 2% in 2023. Household consumption, in particular, has held up in the United States.

Perhaps the most positive economic news in 2023 concerned inflation, which finally began to become more moderate as the year went on. In the eurozone, for example, inflation was above 8% at the start of the year. By November, it had fallen to 2.4%.

The slowing of inflation also enabled central banks to stop interest rate hikes towards the end of the year. In 2024, interest rates are expected to decrease both in the United States and Europe. This will bring relief especially to the Finnish economy, which is highly sensitive to interest rates.

There were negative surprises during the year in the economy as well as in geopolitics. In the spring, a small number of banks in the United States and Europe experienced difficulties. Fortunately, the situation did not escalate into a broader banking crisis. In the autumn, fighting broke out in the Middle East, but the impacts on oil prices, for example, were fairly minimal. While the war in Ukraine continues, its effects on the global economy are minor. However, an escalation of the situation is always possible, which means that political risks remain elevated.

Interest rate environment

In the first half of 2023, short-term interest rates in the eurozone continued to rise, driven by the European Central Bank strongly signalling future interest rate hikes to curb inflation. The 12-month Euribor, which is used as the general reference rate for mortgages, rose by almost one percentage point by mid-year compared to the start of the year. The situation has since stabilised and, from October onwards, short-term interest rates have been on a downward trend. Long-term interest rates also trended downward in the latter part of the year. The reasons include inflation levelling off, weakening economic growth in the eurozone and the likely end of the European Central Bank's interest hike cycle.

On the whole, the development of interest rates in 2023 was strongly supportive of the net interest income of banking operations. However, at the same time, the cost of wholesale funding has increased in both covered bonds and senior loans, which has contributed to hindering the positive development of net interest income.

The future development of interest rates will be largely determined by the timing of the European Central Bank's potential interest rate cuts and what the ECB will communicate to the market regarding its future interest rate policy. The relatively steep downward curve of long-term interest rates indicates a decrease of approximately 1.5 percentage points in 2024. If the markets have anticipated too rapid a change, there may be at least a temporary rise in the level of the interest rate curve in 2024.

Investment markets

In 2023, the attention of the investment markets was focused on the sharp rise in interest rates, which then levelled off in the fourth quarter. The uncertainty in the financial sector in spring 2023 and the challenges faced by the banking sector did not lead to a widespread crisis in the investment markets. Central banks reacted decisively to the situation and, as a result, investor confidence recovered very quickly. Inflation began to show signs of slowing towards the end of the year, which meant that the central banks' rate hike cycle reached a turning point. This was favourably received in the investments markets, with returns rising sharply for both fixed income investments and equities in the fourth quarter. On the whole, 2023 was a much better year for investments than what was anticipated in the early part of the year. As in the previous year, geopolitical risks continued to make headlines. It can be expected that politics and the US presidential election will again have a significant impact on the markets in 2024.

The Finnish economy

The Finnish economy outperformed expectations in early 2023, and the feared recession did not materialise. However, in the second half of the year, economic growth weakened substantially and, according to our assessment, the economy entered a recession.

The increased interest rates have had a particularly significant impact on the Finnish economy. Most loans in Finland are linked to variable interest rates, which means that higher interest rates are reflected in the Finnish economy faster than in many other countries. In particular, the increase in interest rates has led to weakness in private consumption and investment, particularly in terms of investments in construction.

For a long time now, households have suffered simultaneously from rising interest rates and high inflation. Household purchasing power declined by a record amount between 2022 and 2023. According to our Savings Barometer, financial distress experienced by households increased in 2023. Consumer confidence also remained well below the long-term average in 2023.

Towards the end of the year, however, the situation began to ease and consumer purchasing power started to rise again. This was due to both the slowing of inflation and the higher-than-usual increases in wages. The employment situation remained fairly good in spite of weakening slightly during the year.

For businesses, 2023 was more difficult than the previous year, and business confidence declined throughout the year. There were large differences between industries. The construction sector was particularly hard hit by the rising interest rates, and construction activity has declined to a significant degree. While industrial production held up, the future outlook deteriorated as the year went on. This was due to the global economic outlook in particular. The service sector still performed fairly well, but the future outlook took a negative turn in that sector as well. The number of bankruptcies rose above the long-term average.

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 management of the refinancing needs and liquidity of the member credit institutions of the Savings Banks Amalgamation, balance sheet management services, payment card issue services and granting unsecured consumer credit to Savings Bank customers, and payment transaction services and account management for the Savings Banks.

Treasury

In 2023, the Treasury operations focused on securing and optimising the Savings Banks Group's liquidity position and expanding the Group's debt investor relations.

Asset and liability management

System and data management related projects were continued during the year, changes required by regulation were introduced and the credit institutions of the Amalgamation were supported in managing interest rate and liquidity risks.

Payment cards and unsecured consumer credit

The unsecured consumer credit business launched in late 2021 developed favourably during 2023. The credit portfolio of the unsecured consumer credit increased by 44.5% in spite of the target group of the product being limited to the private customers of the Savings Banks Group. In spite of increased interest rates and costs, Savings Banks' card customers and unsecured consumer credit customers primarily fared well with their instalments, and the level of defaulted credits stayed at a relatively reasonable level with regard to these credit products.

Payments

During the year 2023, development of processes and functionalities was continued and several functionalities and changes required by regulation were implemented.

Securities services / account management operations

During the year 2023, 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. In addition, the reneval of the core banking system for Asset Management serveces as planned during the year, and the implementations enabled the improvement in process efficiency and support the growth of Asset Management Services.

SB CENTRAL BANK'S PROFIT AND BALANCE SHEET

KEY PERFORMANCE INDICATORS

(EUR 1,000)	12/2023	12/2022	12/2021
Revenue	154,188	59,845	44,142
Net interest income	31,234	17,990	9,147
% of revenue	20.3%	30.1%	20.7%
Operating profit	18,333	7,106	-582
% of revenue	11.9%	11.9%	-1.3%
Total operating revenue	43,560	28,585	20,583
Total operating expenses	-23,889	-20,633	-20,628
Cost to income ratio %	54.8%	72.2%	100.2%
Total assets	3,387,747	3,421,948	2,679,569
Total equity	130,223	116,024	83,952
Return on equity %	1.3%	5.7%	-0.8%
Return on assets %	0.4%	0.2%	0.0%
Equity/assets ratio %	3.8%	3.4%	3.1%
Solvency ratio %	43.9%	41.4%	39.1%
Impariment losses on loan and other receivables	-1,338	-846	-537
Number of employees converted to FTEs	46	39	48
Average number of FTEs during the financial year	48	46	49

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1–12/2022)

SB Central Bank's operating profit was EUR 18.3 (7.1) million and net profit for the year was EUR 14.4 (5.7) million.

PROFITS

Our total operating revenue was EUR 43.6 (28.6) million.

Net interest income increased to EUR 31.2 (18.0) million. Interest income developed favourably to 123.1 (33.4) million while interest expenses also increased to EUR -91.9 (-15.4) million. Positive NII development was a result of higher profits from lending business and the cash balances with central bank due to the sharp rise in interest rates. The increase in interest expenses was due to the higher cost of funding. Hedging through interest rate derivatives accounted for EUR -6.7 (-0.3) million of the net interest income.

Net fee and commission income decreased to EUR 6.8 (9.8) million due to higher level of interest income from credit cards and consumer credit loans as more of the external revenue were directed back to the member Savings banks increasing the fee expenses. The level of fee and commission income was EUR 25.5 (25.7) million, whereas fee and commission expenses amounted to EUR -18.7 (-15.8) million.

Net investment income was EUR 0.8 (-2.8) million. Unrealized costs of the net profit from hedge accounting accounted for EUR 0.8 million of the net investment income.

Other operating revenue was EUR 4.7 (3.6) million and consisted mainly of service fees from the Savings Bank Association and contractual revenues from the credit card association.

COSTS

Our total operating expenses before impairment losses of financial assets amounted to EUR -23.9 (-20.6) million.

Personnel expenses were EUR -4.7 (-4.5) million. Other operating expenses increased by EUR 2.8 million and amounted to EUR -17.1 (-14.4) million. The increase in other operating expenses is a result of increased costs of development activity and continuous services.

Depreciation of tangible and intangible assets totalled EUR -2.0 (-1.7) million due to higher level of intangible assets.

Net impairment loss on financial assets increased EUR 0.6 million to EUR -1.3 (-0.8 million).

BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2022)

The balance sheet of SB Central Bank totalled EUR 3,388 (3,422) million.

Wholesale funding and other financing

The total nominal value of bonds issued by SB Central Bank was EUR 927.5 million. New long-term unsecured bonds under the EMTN programme with total nominal value of EUR 335 million were issued based on the refinancing needs of the Amalgamation to replace the bonds that matured during the period.

Liabilities to credit institutions totalled EUR 1,503 (1,754) million and consisted mainly of short-term deposits to LCR and current accounts from the other amalgamation banks and their minimum reserve deposits. SB Central Bank has also participated in ECB's targeted longer-term refinancing operation under TLTRO III programme and has raised secured funding with total value of EUR 68 million. Term deposits from other than Savings Banks Group entities totalled EUR 350 (250) million.

Liabilities to customers totalled EUR 659 (574) million and consisted mainly of term deposits from corporates and public entities. The line item includes also LCR deposit of EUR 6 million from Savings Bank Services Ltd.

Lending

Loans and advances to credit institutions totalled to EUR 1,625 (1,931) million. The line item consists mainly of unsecured loans (EUR 1,476 million) and repurchase agreements (EUR 29 million) to group internal Savings Banks. The line item also contains the minimum reserve deposit of the Amalgamation and cash given as a collateral to derivative counterparty banks.

Loans and advances to customers totalled EUR 149 (141) million and consisted mainly of credit card and consumer credit loan balances. The interest-bearing credit card balance was EUR 83 million (81 million) and consumer credit loan balance was EUR 39 (27) million. Non-performing credit receivables represented 1.93% (1.41%) of total balances.

Investment assets

Investment assets totalled EUR 105 (108) million and consisted mainly of ECB eligible debt instruments (EUR 97 million) while other debt instruments totalled EUR 3.4 million. SB Central Bank had also invested in non-listed funds with total value of EUR 4 million and non-listed equity with total value of EUR 1 million.

Shareholdings and equity

SB Central Bank is fully owned by the other amalgamation Savings Banks. SB Central Bank's share capital is EUR 94,812 thousand. SB Central Bank does not hold its own shares.

Equity capital on 31 December 2023 was EUR 130 (116) million, consisting wholly of CET1 capital.

CAPITAL ADEQUACY AND RISK POSITION

Capital adequacy (comparative information 31 December 2022)

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 ade-quate 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. The bank focuses on operating in these business areas only 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 decides on the starting points, objectives and principles of capital adequacy management. Moreover, the Board of Directors confirms the general requirements for capital adequacy measurement and assessment methods and the general principles of organising 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 customer risks of the entities belonging to the Savings Bank Amalgamation are controlled in a consolidated way 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 estimates its own risk position and capital adequacy with stress tests. 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 seek to identify the key risks from the point of view of SB Central Bank and estimate how vulnerable the structure of the Bank is in relation to the realisation of these risks. The objective of the capital adequacy management is also to maintain and develop the quality of the 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 control limits 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 and unsecured consumer 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 if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds.

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 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 1.5% (1.25%). At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

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

In 2023, the Financial Supervisory Authority did not impose a 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 permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual bank 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 Finnish Financial Supervisory Authority has granted Savings Banks' Union Coop, which acts as the Central Institution of the Savings Banks Amalgamation, permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim.

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation. The 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 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), which will implement the final Basel III regulation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are scheduled to enter into force on 1 January 2025.

SB Central Bank publishes the relevant information about capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statements. The main capital adequacy information is 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.

SB Central Bank's own funds totalled EUR 118.7 (106.5) million, while the minimum requirement for own funds was EUR 28.4 (27.0) million. The Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital, amounting to EUR 118.7 (106.5) million. The capital and reserves consist mostly of common equity tier 1 capital.

SB Central Bank's capital adequacy ratio was high, standing at 43.9 (41.4) per cent at year-end. The high capital adequacy ratio is in part 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)	**31.12.2023**	**31.12.2022**
Common Equity Tier (CET1) capital before regulatory adjustments	130,223	116,024
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-11,543	-9,536
Common Equity Tier (CET1) capital	118,680	106,488
Tier 1 capital (T1 = CET1 + AT1) total	118,680	106,488
Total Capital (TC = T1 + T2)	118,680	106,488
Risk weighted assets	270,101	257,036
of which: credit and counterparty risk	200,340	211,889
of which: credit valuation adjustments (CVA)	11,794	824
of which: market risk	-	-
of which: operational risk	57,967	44,323
Minimum total capital requirement	21,608	20,563
Excess total capital	97,072	85,925
Common Equity Tier 1 (as percentage of total risk exposure amount)	43.9%	41.4%
Tier 1 (as a percentage of total risk exposure amount)	43.9%	41.4%
Total capital (as a percentage of total risk exposure amount)	43.9%	41.4%
Capital requirement		
Total capital	118,680	106,488
Capital requirement total*	28,368	26,992
Capital buffer	90,313	79,496

* 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 responsibilities.

LEVERAGE RATIO

The leverage ratio of SB Central Bank was 6.1 (6.1) %, clearly exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 capital by its total leverage ratio exposure measure. 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. The bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	31.12.2023	31.12.2022
Tier 1 capital	118,680	106,488
Leverage ratio exposure	1,954,417	1,755,379
Leverage ratio	6.1%	6.1%

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

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher, until 31 December 2023, and effective from 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

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

In addition to the requirement calculated on the basis of overall risk, the institution-specific capital buffer requirement must 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 minimise 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 and consumer credit loan 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, SB Central Bank is exposed to credit, market and operational risks, as well as business and liquidity risks.

Credit and counterparty risks

Credit and counterparty risk is defined as a possibility that counterparty may not meet its contractual obligations. The main source of credit risk is lending, but 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 Bank'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 of SB Central Bank set the maximum exposures for concentration risks and control to the investment and lending activities.

Liquidity risk

Liquidity risk refers to a risk that a bank would not be able to fulfil its current or future expected and unexpected cash outflows at all or without significantly damaging the bank's financial position. 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 the financial year.

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 2023, 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. SB Central Bank 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 risks refer to the risk of loss caused by 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 the 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 minimised 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 (ICAAP) approved by the Board.

CREDIT RATING

On 20 October 2023, S&P Global Ratings (S&P) confirmed the long-term credit rating of SB Central Bank Finland at A- and its short-term credit rating at A-2. The outlook is stable.

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 Chief Executive Officer. 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 the Board of Directors. The Chief Executive Officer of SB Central Bank is responsible for the Bank's operational management according to the guidelines set by the Board of Directors.

The independence and integrity of the Board members and Chief Executive Officer are ascertained in accordance with the directions issued by the Financial Supervisory Authority. On their selection for the position and annually thereafter, the Board members and Chief Executive Officer are obliged to provide an account of the organisations with which they are involved. In addition, on accepting their position, each Board member and Chief Executive Officer 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 16 March 2023. The Board's proposal on the distribution of profits was approved. The Meeting also granted a discharge to the Board members and Chief Executive Officer and selected the new Board of Directors.

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

Name	**Position**
Mangs Monika	member, Chairman
Alameri Karri	member
Rouhe Samu	member
Siviranta Petri	member
Öhman Ossi	member, Deputy Chairman

The Board members hold management positions in the financial sector. During the financial year, the Board convened fourteen (14) times. Monika Mangs, Chief Executive Officer of Närpiön Säästöpankki Oy, chaired the Board of Directors of SB Central Bank. The Deputy Chairman was Ossi Öhman, Chief Executive Officer of Säästöpankki Kalanti-Pyhäranta.

SB Central Bank' CEO during the financial year was Kai Brander and Mervi Luurila was the Deputy of CEO. The Annual General Meeting elected the audit firm KPMG Oy Ab as the auditor of SB Central Bank, with Authorised Public Accountant Mikko Kylliäinen as principal auditor.

The number of personnel at SB Central Bank developed as required by service production and development projects. Converted into total resources, the number of personnel at the end of the review period on 31 December 2023 was 51.

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.

'Remuneration systems' means 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 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 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 16 March 2023 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**

* No annual remuneration will be paid for the Savings Bank Centre personnel.

** Attendance allowance is paid for each actual meeting of the Board (excluding decisions that do not involve a meeting).

The conditions and benefits of the CEO'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 Chief Executive Officer, may be paid a sum equivalent to a maximum of four months' salary for reaching set targets. The Bank has no pension schemes or any other similar arrangements.

SB Central Bank has identified significant risk-takers who can affect the Bank's risk profile or through their actions cause considerable financial risk to SB Central Bank. The personnel group with impacts on the risk profile at SB Central Bank include the Chief Executive Officer and others involved in the management of operations and decision-making and personnel in independent functions.

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

The remuneration details in accordance with Pillar III are published in the Savings Banks Group financial statements. The financial statements are available online on the Savings Banks Group website at www.saastopankki.fi.

MAIN OUTSOURCED FUNCTIONS

The banking system of SB Central Bank has been outsourced to Samlink Ltd. SB Central Bank purchases support services related to issuing cards and granting card credit and unsecured consumer credit mainly from Nets Denmark A/S, Filial i Finland and services related to the manufacture and delivery of cards from EVRY Card Services Oy. SB Central Bank 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. SB Central Bank 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 SB Central Bank is included in the consolidated financial statements of the Savings Banks Amalgamation and the sustainability 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 described in the Savings Banks Group's principles for reliable management and internal control. 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. The key guidelines and management tools for sustainability are the Savings Banks Group's sustainability strategy roadmap and policy. More information on the Savings Banks Group's responsibility and the Savings Banks Group's annual sustainability report can be found at www.saastopankki.fi.

MATERIAL EVENTS AFTER THE CLOSING DATE

The Board of Directors of SB Central Bank is not aware of any factors that would have a material effect on its financial position after the date of completion of the financial statements.

OUTLOOK FOR THE YEAR 2024

Outlook for the operational environment

The growth outlook for 2024 is subdued. Europe is starting the new year in a recession and, in particular, the economic situation of Germany and Sweden, which are key trade partners for

Finland, is weaker than usual. Economic growth in the United States is expected to slow down, but a soft landing is quite possible, which would avoid a more severe economic downturn despite rapid interest rate hikes. Growth in China is also slowing down.

The Finnish economy entered a recession in the second half of 2023, and continued subdued development is expected in 2024. Economic growth may pick up again towards the end of the year as interest rate cuts begin to have a stimulating effect on the economy. On the whole, we expect the Finnish economy to see approximately zero growth in 2024.

For households, the situation will begin to ease in 2024. Purchasing power will turn to an increase again and private consumption will gradually recover. In recent years, many households have had to use their savings to compensate for rising prices and interest rates. We expect that these savings will start to accumulate again and the household saving rate will increase slightly.

The housing market is expected to pick up slowly as the year goes on. Interest rate cuts and improving consumer purchasing power will boost confidence, prompting consumers to venture back into the housing market. While a major recovery is unlikely, a slight improvement from the previous year is expected.

Due to subdued economic growth, we expect unemployment to increase in 2024, albeit to a moderate degree. The average unemployment rate will still be under 8%. There has been a long-standing shortage of skilled workers, and companies want to retain their employees in spite of the economic slump.

The outlook for businesses remains weak at the start of the year. Especially in the construction industry, a more significant recovery is not yet likely, although the gradual decrease in interest rates will slowly improve the sector's outlook in the latter part of the year. The manufacturing industry suffers from the weak global economic cycle.

Inflation is expected to continue to slow down in 2024, although the fastest decline has already passed. This will enable central banks to reduce interest rates. Indeed, several interest rate cuts are likely during the year. This will bring relief to Finnish mortgage holders and gradually improve the outlook of the construction sector. However, there are still inflation-related risks associated with the potential escalation of the conflict in the Middle East and a substantial increase in oil prices.

Business outlook

The basic outlook for business operations is stable in all areas of the Bank's operations. The main focus of the operations of is to support and secure the implementation of the Savings Banks Group's strategy.

SB Central Bank's result for 2024 is expected to show a slight profit.

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

SB Central Bank's distributable funds amount to EUR 25,086,590.57.

The SB Central Bank Board of Directors proposes to the Annual General Meeting that the profit for the financial year of EUR 14,395,522.76 is entered as accumulated retained earnings with no dividend paid.

INFORMATION

Further information from CEO Kai Brander
kai.brander@saastopankki.fi
tel. +358 5038 48220

Releases and other corporate data are available on the Central Bank of Savings Banks 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 (ROE), %:

$$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interest (average)}} \times 100$$

Return on assets (ROA), %:

$$\frac{\text{Profit}}{\text{Total assets (average)}} \times 100$$

Equity/assets ratio, %:

$$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} \times 100$$

Solvency ratio, %:

$$\frac{\text{Own funds total}}{\text{Risk-weighted assets total}} \times 100$$

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 does not use any Alternative Performance Measures that are not directly calculated using the information presented in financial statements, nor have any changes occurred in the financial highlights.

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC: IFRS FINANCIAL STATEMENTS

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC

(EUR 1,000)	Note	1–12/2023	1–12/2022
Interest income		123,123	33,409
Interest expense		-91,889	-15,420
Net interest income		31,234	17,990
Net fee and commission income	**7**	6,804	9,835
Net trading income	**8**	839	-2,820
Other operating revenue	**9**	4,684	3,581
Total operating revenue		43,560	28,585
Personnel expenses	**10**	-4,713	-4,522
Other operating expenses	**9**	-17,150	-14,373
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**16**	-2,026	-1,738
Total operating expenses		-23,889	-20,633
Net impairment loss on financial assets	**11**	-1,338	-846
Operating profit		18,333	7,106
Income tax expense	**18**	-3,938	-1,443
Profit		14,396	5,663

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

(EUR 1,000)	1–12/2023	1–12/2022
Profit	14,396	5,663
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Capital gains from items booked to fair value and classified in other comprehensive income	1,196	51
Total	1,196	51
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	-1,741	-135
Deferred tax from fair value measurements	348	27
Total	-1,393	-108
Total comprehensive income	14,199	5,605

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

(EUR 1,000)	Note	31.12.2023	31.12.2022
Assets			
Cash and cash equivalents	20	1,424,785	1,200,500
Loans and advances to credit institutions	11	1,624,576	1,930,649
Loans and advances to customers	11	148,911	140,616
Derivatives	14	847	12
Investment assets	11	105,040	107,950
Property, plant and equipment	16	108	21
Intangible assets	16	11,284	8,479
Tax assets	18	1,129	830
Other assets	19	71,067	32,890
Total assets		3,387,747	3,421,948

(EUR 1,000)	Note	31.12.2023	31.12.2022
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	12	1,503,452	1,753,917
Liabilities to customers	12	659,027	574,032
Derivatives	14	40,691	54,120
Debt securities issued	12	989,491	880,335
Tax liabilities	18	3,752	1,356
Other liabilities	19	61,110	42,163
Total liabilities		3,257,523	3,305,923
Equity			
Share capital		94,812	94,812
Reserves		18,041	19,434
Retained earnings		17,370	1,779
Total equity	17	130,223	116,024
Total liabilities and equity		3,387,747	3,421,948

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

(EUR 1,000)	1–12/2023	1–12/2022
Cash flows from operating activities		
Profit	14,396	5,663
Adjustments for items without cash flow effect	6,095	6,318
Change in deferred tax	-150	420
Cash flows from operating activities before changes in assets and liabilities	20,341	12,402
Increase (-) or decrease (+) in operating assets	256,425	-548,946
Loans and advances to credit institutions	301,412	-537,448
Loans and advances to customers	-9,174	-44,535
Investment assets, at fair value through other comprehensive income	1,448	11
Investment assets, at amortized cost	1,715	60,216
Investment assets, fair value through profit or loss	-800	-1,200
Other assets	-38,177	-25,989
Increase (-) or decrease (+) in operating liabilities	-50,837	706,517
Liabilities to credit institutions	-251,123	509,917
Liabilities to customers	96,338	248,457
Debt securities issued	84,995	-84,028
Other liabilities	18,954	32,171
Paid income taxes	-1,493	
Total cash flows from operating activities	224,437	169,973

(EUR 1,000)	1–12/2023	1–12/2022
Cash flows from investing activities		
Decrease in investments in equity and shares		51
Investments in property, plant and equipment and intangible assets	-4,925	-2,660
Disposals of investment property and property, plant and equipment and intangible assets	45	
Total cash flows from investing activities	-4,880	-2,610
Cash flows from financing activities		
Increase in share capital		26,468
Total cash flows from financing activities		26,468
Change in cash and cash equivalents	219,557	193,831
Cash and cash equivalents at the beginning of the period	1,213,286	1,019,455
Cash and cash equivalents at the end of the period	1,432,843	1,213,286
Cash and cash equivalents comprise the following items:		
Cash	1,424,785	1,200,500
Receivables from central banks repayable on demand	8,057	12,786
Total cash and cash equivalents	1,432,843	1,213,286
Adjustments for items without cash flow effect		
Impairment losses on financial assets	1,617	1,012
Changes in fair value	-840	2,820
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,026	1,738
Income taxes	3,292	-275
Total Adjustments for items without cash flow effect	6,095	5,296
Interest received	109,745	25,453
Interest paid	69,837	11,672

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 2022	68,344	19,000	542	19,542	-3,935	83,952
Comprehensive income						
Profit					5,663	5,663
Other comprehensive income			-108	-108	51	-58
Total comprehensive income			-108	-108	5,713	5,605
Transactions with owners						
Subscription issue	26,468					26,468
Total equity 31 December 2022	94,812	19,000	434	19,434	1,779	115,692
Equity 1 January 2023	94,812	19,000	434	19,434	1,779	115,692
Comprehensive income						
Profit					14,396	14,396
Other comprehensive income			-1,393	-1,393	1,196	-196
Total comprehensive income			-1,393	-1,393	15,592	14,199
Total equity 31 December 2023	94,812	19,000	-959	18,041	17,370	130,223

* Capital gain received from selling Visa Inc shares was recorded in retained earnings.

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 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 focus on payment transaction and account management services, issue services for the payment cards of the Amalgamation, and services related to liquidity management, refinancing and asset and liability management. SB Central Bank belongs to the Savings Banks Amalgamation and its owners are the 14 Savings Banks of the Amalgamation.

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

The Savings Banks Group (hereinafter "the Group") is the oldest banking group in Finland. It is comprised 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 Savings Banks are independent regional and local 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 Savings Banks Group. The service and product companies within the Savings Banks Group support and promote the operations of the Group via producing centralised services or having responsibility for certain products. The most significant 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 Oy Ltd.

The member organisations of the Savings Banks 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 are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop which acts as the central institution of the Amalgamation, 14 Savings Banks, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, Savings Bank Services Ltd as well as Sp-Fund Management Company Ltd.

The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings Banks Group does not form a consolidated corporation or a consolidation group as defined in the Act on Credit Institutions because 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.

The Savings Banks' Union Coop steers the operations of the Savings Banks Group and is the central institution responsible for the internal control framework. According to the Act on the Amalgamation of Deposit Banks, 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 financial statements are prepared for the financial group formed by the Savings Banks Group, in which SB Central Bank is also included.

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

SB Central Bank's registered office is in Helsinki, Finland, and its registered address is Teollisuuskatu 33, 00510 Helsinki. The financial statements of SB Central Bank are available from www.spkeskuspankki.fi. Correspondingly, the financial statements of the Savings Banks Group are available from www.saastopankki.fi/saastopankkiryhma.

The SB Central Bank Board of Directors has approved the Bank's financial statements for 1 January – 31 December 2023 on 13 February 2024, and the financial statement will be presented to the Annual General Meeting of 2024 for approval. The Annual General Meeting has the choice of approving or not approving the financial statements.

NOTE 2: ACCOUNTING POLICIES

The “Accounting policies” note describes SB Central Bank’s general accounting policies and consolidation principles. The key principles concerning financial instruments, intangible assets, property, plant and equipment and operating revenue are presented in this note and more detailed information is provided in the notes focusing on each of these items. The accounting policies for other income and balance sheet items are presented in their respective notes (Notes 6–24).

At the end of the “Accounting policies” note, there is information about the new IFRS standards and interpretations that entered into force during the past financial year as well as the new standards and interpretations to be applied in future financial years.

1. GENERAL

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’ Union Coop 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 accounting and functional currency.

Transactions denominated in a foreign currency outside the eurozone are recognised at the exchange rate on the transaction date. Assets and liabilities 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 recognised as net income from foreign exchange operations under net trading income in the income statement.

SB Central Bank’s financial statements are prepared under the historical cost convention, except for financial assets and liabilities measured at fair value through other comprehensive income or 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 both have a legally enforceable right to offset amounts and intend either to settle the balance on a net basis or realise the asset and settle the liability simultaneously.

2. FINANCIAL INSTRUMENTS

2.1.1 Financial assets and liabilities

SB Central Bank applies the IFRS 9 Financial Instruments standard on recognition and measurement of financial instruments. Classification in the balance sheet is independent of the IFRS 9 categories. Different valuation bases can therefore be applied to assets and liabilities recognised on the same line in the balance sheet. The classification of financial assets and liabilities recognised in the balance sheet into valuation categories is set out in Note 13.

2.1.2 Initial recognition

A financial asset or liability is recognised on the balance sheet only when the entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognised and derecognised 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 recognised through profit or loss as an interest income or expense as a part of the effective interest rate of the financial asset or liability.

2.1.3 Classification of financial assets and the determination of classification

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

- Amortised cost
- Fair value through other comprehensive income (fair value reserve)
- Fair value through profit or loss.

Financial liabilities are, as a rule, measured at amortised cost. Derivative contracts and other investors' participations in consolidated funds are measured at fair value through profit or loss.

The classification principles and breakdown of financial assets and liabilities by measurement category are described in more detail in Note 13.

The change in the fair value of debt instruments measured at fair value through other comprehensive income is recognised adjusted for calculated tax in the fair value reserve included in other comprehensive income. The gain or loss on the transfer or sale of a financial asset is recognised through profit or loss.

Changes in the fair value of equity investments for which the Savings Banks Group has irrevocably designated that subsequent changes in their fair value will be measured through other comprehensive income are also recognised in other comprehensive income. Such a decision has been made in significant investments in partners or companies with a business relationship, for example. Dividends from equity instruments are recognised in profit or loss when the right to receive payment is established. Capital repayments from the share are recognised in the statement of comprehensive income. For equity instruments, gains or losses accrued in the fair value reserve are not transferred to be recognised through profit or loss at any stage.

If 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, the gross carrying amount of the financial asset is recalculated and a modification gain or loss is recognised through profit or loss.

2.1.4 Derecognition

A financial asset is derecognised 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, the Savings Banks Group 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 derecognised 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 recognised through profit or loss.

2.2 Impairment

2.2.1 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 recognised for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, guarantees and off-balance sheet loan commitments.

Further details on parameters and methods used in expected credit loss model are presented in Note 11.

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

2.2.2 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 derecognised as a counterpart to the income statement item Impairment losses on financial assets. Any payments received after derecognition are recognised as adjustments to the income statement item Impairment losses on financial assets.

2.3 Hedging and derivatives

SB Central Bank hedges its interest rate risk from changes in fair value and applies hedge accounting for the hedge relationships. Fair value hedging is applied to fixed interest rate lending to Savings Banks and issued fixed interest rate bonds.

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

Derivative contracts are measured at fair value. The fair value of derivatives that hedge fair value is recognised in the balance sheet as a derivative receivable or liability and the change in fair value is recognised 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 amortised cost. A change in the hedged item's fair value is recognised 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.

Derivative trades to be counterparty-cleared in accordance with the EMIR regulation (EU 648/2012) are cleared with London Clearing House. In this model, SEB as the clearing-broker becomes the counterparty of derivatives at the end of the daily clearing process. The clearing method used is the settled-to-market (STM) practice, in which the daily payments of derivatives are offset with the central counterparty and daily either paid or a variation margin is received. In the STM practice, the daily payment is contractually defined as the final payment and part of the cash flows of the derivative contract. Thus, there is no other change in the fair value of the derivative contract on the balance sheet than the measurement difference between the Savings Banks Group and CCP. The difference is recognised in derivative assets or liabilities. Other derivatives are presented on the balance sheet using the gross principle, with positive changes in value presented as derivative assets and negative changes in value as derivative liabilities.

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 on a regular basis and always on reporting dates.

3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

SB Central Bank's property, plant and equipment includes for example machinery and equipment in own use.

An intangible asset is an identifiable asset that has no physical substance. SB Cental Bank's intangible assets include for example development expenditures . An intangible asset is recognised only when it is probable that economic benefits from the asset are likely to flow to the SB Central Bank and the acquisition cost of the asset can be reliably measured.

Property, plant and equipment and intangible assets are measured at acquisition cost less depreciation and impairment. The basis of preparation of property, plant and equipment and intangible assets are presented in its entirety in Note 16.

4. NET OPERATING INCOME

The most significant income items of the Savings Banks Group are net interest income and net fee and commission income and fee expenses. Interest on balance sheet items included in financial assets and liabilities is recognised in net interest income, regardless of the measurement category. Interest income and expenses are amortised using the effective interest method over the contractual period of the loan and receivable or the liability. The basis of preparation of net interest income is presented in more detail in Note 6.

Net fee and commission income consists of the income and expenses associated with services provided to customers, measured at the amount to which the Savings Banks Group considers itself to be entitled against the services provided. Fees and commissions are, as a rule, recognised once the service has been provided and control has passed to the customer. The basis of preparation of the Net fee and commission income and fee expenses item is presented in its entirety in Note 7.

The basis of preparation of other operating income is presented in connection with the note for each item.

5. SEGMENT REPORTING

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.

6. NEW AND AMENDED STANDARDS TO BE APPLIED IN FUTURE FINANCIAL YEARS

SB Central Bank has applied, as of 1 January 2023, the following new and amended standards that have entered into effect, but they are not considered to have had a material impact on the financial statements of SB Central Bank:

IFRS 17 *Insurance Contracts*, including **Comparative information – Amendments to IFRS 17 *Insurance contracts: Initial Application of IFRS 17 and IFRS 9*** (effective for financial years beginning on or after 1 January 2023)

The new standard applies to insurance contracts and will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces the IFRS 4 standard.

The amendments alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17. The amendments also make it possible to present comparative information on financial assets in a manner that is more consistent with the requirements of IFRS 9 Financial Instruments.

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)

The amendments clarify the application of the principle of materiality to information about the accounting policies.

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)

The amendments clarify how an entity should present and disclose different types of accounting changes in its financial statements, and they focus on the definition of accounting estimates and clarifications thereof.

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

The amendments narrow down the scope of application of the initial recognition exemption and clarify that the exemption is not applicable to transactions such as leases and decommissioning obligations in which equal and opposite temporary differences arise.

International Tax Reform* – Pillar Two Model Rules Amendments to IAS 12 *Income taxes (the temporary exception is effective immediately after its publication on 28 May 2023; the requirements concerning disclosures in financial statements are effective for financial years beginning on or after 1 January 2023)

The amendments provide a relief from deferred tax accounting due to the international tax reform of the OECD (Organization for Economic Cooperation and Development) and requires the disclosure of new notes aiming to compensate for any loss of information caused by the relief.

New and amended standards to be applied 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.

* This provision has not been approved for application in the EU as of 31 December 2023.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases (effective for financial years beginning on or after 1 January 2024, early adoption is permitted)

The amendments adds a new accounting model concerning variable payments and require a seller-lessee to reassess and possibly adjust sale and leaseback transactions carried out after the adoption of IFRS 16 in 2019. The amendments are not estimated to have a significant impact on the financial statements of SB Central Bank.

Amendments to IAS 1 Presentation of Financial Statements *: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants (effective for financial years beginning on or after 1 January 2024, early adoption is permitted)

The purpose of the amendments is to simplify the application practice and clarify the classification of liabilities as current or non-current. The amendments clarify that covenants with which the company must comply after the reporting date do not affect a liability's classification as current or non-current at that date. Information about such covenants must be disclosed in the notes to the financial statements. The amendments also clarify that the transfer of the company's own equity instruments is considered to be the settlement of the liability. If the liability involves a conversion option, it may have an effect on its classification as current or non-current unless these conversion options have not been recognised in equity under IAS 32. The amendments are not estimated to have a significant impact on the financial statements of SB Central Bank.

Supplier Finance Arrangements – Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures * (effective for financial years beginning on or after 1 January 2024, early adoption is permitted)

The purpose of the amendments is to improve the transparency of supplier finance arrangements and clarify their effects on financial liabilities, cash flows and the total amount of liquidity risk. The amendments require the disclosure of qualitative and quantitative information about supplier finance arrangements. The amendments are not estimated to have a significant impact on the financial statements of SB Central Bank.

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates * (effective for financial years beginning on or after 1 January 2025, early adoption is permitted)

The amendments require the application of a consistent approach when assessing whether a currency is exchangeable and which exchange rate to use and which notes to disclose when it is not. The amendments are not estimated to have a significant impact on the financial statements of SB Central Bank.

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 * (voluntary adoption is permitted, entry into force postponed until further notice)

The amendments eliminate the conflict between the current guidelines concerning consolidation and equity method and require the recognition of profit in full when the transferred assets meet the definition of business under IFRS 3 Business Combinations. The amendments are not estimated to have a significant impact on the financial statements of SB Central Bank.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

IFRS-compliant financial statements require SB Central Bank's management to exercise judgement 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 the calculation of expected credit losses.

In the financial statements dated 31 December 2023, the most significant uncertainties influencing the management's estimates have been Russia's war of aggression in Ukraine, the resulting energy crisis in Europe, accelerating inflation and rising market interest rates. There is considerable uncertainty associated with estimating the economic impacts of the above-mentioned factors, which particularly influences the assessment of the expected credit losses on financial assets.

DETERMINATION OF EXPECTED CREDIT LOSSES

SB Central Bank's expected credit loss calculation models contain several factors that require the management's judgement and making estimates and assumptions. 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 judgement. 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 continued during the financial year and the reduced forecast ability of macroeconomic forecasting models have increased the significance of the management's judgement and estimates.

SB Central Bank has assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on its 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 industries whose risks have potentially increased due to the crisis.

In late 2023, SB Central Bank updated the economic forecasts used in the expected credit loss calculation model. 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. The assessments are based on a view of the functioning of the market and the trading activity for the financial instrument in question.

On the financial statements date, SB Central Bank's financial instruments measured at fair value consisted mainly of listed financial assets for which a public price quotation is available or financial assets for which fair value measurement is based on verifiable market information, such as interest rate data. In the view of the management of SB Central Bank, the conditions regarding the functioning of the market and the trading activity of the individual financial instruments are met and, consequently, the price information obtained from the market can be considered a reliable indication of the fair value of the instruments.

The management's judgement is required in circumstances where fair value price information is not available in the market and the fair value of a financial instrument needs to be determined using a valuation technique. In such circumstances, the valuation techniques and inputs used to measure fair values are based on the management's assessment of the market practices used to measure the value of the instruments in question.

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 judgement.

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.

PRINCIPLES AND ORGANIZATION OF RISK MANAGEMENT

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.

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. Non-performing credit receivables represented 1.93% (1.41%) of total balances.

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:

	31.12.2023				Percentage of total	Percentage of total
Description	**Phase 1**	**Phase 2**	**Phase 3**	**Total**	**31.12.2023**	**31.12.2022**
1 Excellent	103,968,317	1,549,416	0	105,517,733	70.8%	76,3%
2 Good	5,259,969	88,052	0	5,348,021	3.6%	3.0%
3 Good	13,981,445	346,781	0	14,328,226	9.6%	8,0%
4 Average	8,499,920	608,805	0	9,108,724	6.1%	5,6%
5 Average	2,647,965	292,158	0	2,940,123	2.0%	1,5%
6 Weak	3,079,368	505,734	0	3,585,102	2.4%	1,5%
7 Overdues, non-impaired	1,209,312	686,957	0	1,896,269	1.3%	1,0%
8 Overdues, non-impaired	523,043	2,593,148	0	3,116,191	2.1%	1,6%
9 Overdues, non-impaired	182,846	575,975	0	758,821	0.5%	0,2%
D Impaired	0	0	2,463,823	2,463,823	1.7%	1,4%
Total	139,352,185	7,247,026	2,463,823	149,063,034	100.0%	100,0%

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 risk that a bank would not be able to fulfil its current or future expected and unexpected cash outflows at all or without significantly damaging the bank's financial position. Liquidity risk may be further divided into short-term liquidity risk and long-term funding risk.

The main methods of measuring and monitoring liquidity risk are cash position; the adequacy of the liquidity reserve, as measured by stress tests; liquidity coverage requirement and permanent funding requirement. 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.

Maturity distribution of financial assets and liabilities:

Financial assets (EUR 1,000)			**2023**		
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Cash and cash equivalents	1,424,785				1,424,785
Loans and advances to credit institutions	342,746	543,736	592,800	145,500	1,624,781
Loans and advances to customers	148,911				148,911
Investment assets			103,999	4,002	108,001
Total	1,916,442	543,736	696,799	149,502	3,306,479

Financial liabilities (EUR 1,000)			**2023**		
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Liabilities to credit institutions	825,618	130,000	487,500		1,443,118
Liabilities to customers	99,476	537,000	22,550		659,027
Debt securities issued	113,000	239,000	443,500	234,000	1,029,500
Total	1,038,095	906,000	953,550	234,000	3,131,645
Off balance-sheet commitments	348,421	202,800	-295,300		255,921

Financial assets (EUR 1,000)			**2022**		
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Cash and cash equivalents	1,200,500				1,200,500
Loans and advances to credit institutions	370,929	578,900	671,600	178,500	1,799,929
Loans and advances to customers	140,616				140,616
Investment assets		100,000	3,999	3,202	107,201
Total	1,712,045	678,900	675,599	181,702	3,248,246

Financial liabilities (EUR 1,000)			**2022**		
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Liabilities to credit institutions	1,453,680	100,000	130,500		1,684,180
Liabilities to customers	89,534	409,497	75,000		574,032
Debt securities issued	103,000	236,000	391,500	201,000	931,500
Total	1,646,214	745,497	597,000	201,000	3,189,712
Off balance-sheet commitments	383,315	43,000	-136,000		290,315

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 2023, 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:

- gap risk refers to the risk posed by the term structure of instruments with a high interest rate sensitivity. The risk arises from a fluctuation of interest rates over time, and it includes changes to the term structure of interest rates. These changes are caused by changes to either the yield curve's level (parallel risk) or the yield curve's shape (non-parallel risk);

- an interest-based risk is a result of the effects that changes in the relationships between interest rates have on instruments that have a high interest rate sensitivity and similar interest periods but are priced using different interest rate indexes. An interest-based risk is caused by an imperfect correlation of the adjustment of accumulated and paid interest of different instruments with a high interest rate sensitivity, when the instruments otherwise share similar rate adjustment characteristics;

- an option risk is a risk generated by (embedded and non-embedded) options in situations where a bank or its customer can adjust the level and averaging of their cash flow – in other words , it is a risk caused by instruments with a high interest rate sensitivity in situations where the holder will almost certainly use their option if doing so provides a financial benefit, and a risk resulting from flexibility embedded indirectly or to the time frames of instruments in such a way that interest rate fluctuations could affect customer behaviour (risk related to an embedded, behaviour-based option).

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.

The table below shows the next 12 month's net interest income's sensitivity to a 1-percentage point's parallel shift in the interest rate curve. A 0% floor is applied to loan reference interest rates based on loan contract provisions. Balance sheet structure is kept static by rolling over maturing items with corresponding interest rates or corresponding maturities for fixed rate items.

CHANGE IN NET INTEREST INCOME

(EUR 1,000)	31.12.2023	
Period	Down	Up
Change, next 12 months	-5,004	4,928
Change, 12–24 months	-3,950	3,845

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 2023, 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

Central Bank of Savings Banks 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. Central Bank of Savings Banks 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, Central Bank of Savings Banks 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, Central Bank of Savings Banks 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. The bank focuses on operating in these business areas only 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 decides on the starting points, objectives and principles of capital adequacy management. Moreover, the Board of Directors confirms the general requirements for capital adequacy measurement and assessment methods and the general principles of organising 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 customer risks of the entities belonging to the Savings Bank Amalgamation are controlled in a consolidated way 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, the Central Bank of Savings Banks estimates its own risk position and capital adequacy with stress tests. 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 seek to identify the key risks from the point of view of the Central Bank of Savings Banks and estimate how vulnerable the structure of the Bank is in relation to the realisation of these risks. The objective of the capital adequacy management is also to maintain and develop the quality of the risk management framework.

Capital contingency plan

The capital contingency plan of Central Bank of Savings Banks 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 control limits 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 and unsecured consumer 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 if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds.

OWN FUNDS AND CAPITAL ADEQUACY

The capital requirement of Central Bank of Savings Banks is formed by:

- 8% minimum capital requirements set by Capital Requirement Regulation (CRR),
- 2.5% CET1 capital conservation buffer 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 1.5% (1.25%). At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

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

In 2023, the Financial Supervisory Authority did not impose a 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 permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual bank 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 Finnish Financial Supervisory Authority has granted Savings Banks' Union Coop, which acts as the Central Institution of the Savings Banks Amalgamation, permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim.

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation. The 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 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), which will implement the final Basel III regulation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are scheduled to enter into force on 1 January 2025.

Central Bank of Savings Banks publishes the relevant information about capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statements. The main capital adequacy information is 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.

Central Bank of Savings Banks' own funds totalled EUR 118.7 (106.5) million, while the minimum requirement for own funds was EUR 28.4 (27.0) million. The Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital, amounting to EUR 118.7 (106.5) million. The capital and reserves consist mostly of common equity tier 1 capital.

Central Bank of Savings Banks' capital adequacy ratio was high, standing at 43.9 (41.4) per cent at year-end. The high capital adequacy ratio is in part 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)	**31.12.2023**	**31.12.2022**
Common Equity Tier (CET1) capital before regulatory adjustments	130,223	116,024
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-11,543	-9,536
Common Equity Tier (CET1) capital	118,680	106,488
Tier 1 capital (T1 = CET1 + AT1) total	118,680	106,488
Total Capital (TC = T1 + T2)	118,680	106,488
Risk weighted assets	270,101	257,036
of which: credit and counterparty risk	200,340	211,889
of which: credit valuation adjustments (CVA)	11,794	824
of which: market risk	–	–
of which: operational risk	57,967	44,323
Minimum total capital requirement	21,608	20,563
Excess total capital	97,072	84,637
Common Equity Tier 1 (as percentage of total risk exposure amount)	43.9	41.4
Tier 1 (as a percentage of total risk exposure amount)	43.9	41.4
Total capital (as a percentage of total risk exposure amount)	43.9	41.4
Capital requirement		
Total capital	118,680	106,488
Capital requirement total*	28,368	26,992
Capital buffer	90,313	79,496

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

LEVERAGE RATIO

The leverage ratio of Central Bank of Savings Banks was 6.1 (6.1) %, clearly exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 capital by its total leverage ratio exposure measure. The most significant part of Central Bank of Savings Banks' 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. The bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	31.12.2023	31.12.2022
Tier 1 capital	118,680	106,488
Leverage ratio exposure	1,954,416	1,755,379
Leverage ratio	6.1%	6.1%

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

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher, until 31 December 2023, and effective from 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

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

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

NOTES RELATED TO PROFIT AND LOSS AND BALANCE SHEET ITEMS

NOTE 6. NET INTEREST INCOME

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.

(EUR 1,000)	1–12/2023	1–12/2022
Interest income		
From financial assets at amortised cost		
Debt securities eligible for refinancing with Central Bank	594	105
Loans and advances to credit institutions	103,795	19,273
Loans and advances to customers*	14,352	9,759
Other**	931	2,941
Total	119,671	32,078
From financial assets at fair value through other comprehensive income		
Debt securities eligible for refinancing with Central Bank	1,697	629
Debt securities	4	4
Total	1,701	633
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	1,751	698
Total	1,751	698
Total interest income	123,123	33,409

(EUR 1,000)	1–12/2023	1–12/2022
Interest expense		
Financial liabilities at amortised cost		
Liabilities/debosits to credit institutions	-40,719	-5,740
Liabilities to customers	-18,275	-1,781
Debt securities issued	-24,468	-6,868
Other interest expenses	-1	-3
Total	-83,463	-14,391
From financial assets at fair value through other comprehensive income		
Liabilities to customers***		-69
Total		-69
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-8,426	-959
Total	-8,426	-959
Total interest expenses	-91,889	-15,420
Net interest income	31,234	17,990

* of which interest income from loans in stage 3 EUR 79 (63) thousand
** is made up of interest charges and limit commission based on account agreements
*** negative interest income

NOTE 7. NET FEE AND COMMISSION INCOME

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 action or service has been 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.

(EUR 1,000)	1–12/2023	1–12/2022
Fee and commission income		
Lending*	17,252	17,407
Deposits		
Payment transfers	6,794	6,391
Securities	1,214	1,557
Other	282	319
Total	25,542	25,675
Fee and commission expense		
Payment transfers	-3,610	-3,638
Securities	-539	-655
Other**	-14,590	-11,547
Total	-18,739	-15,840
Net fees and commissions, net	6,804	9,835

* 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

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

(EUR 1,000)	1–12/2023	1–12/2022
Net income from financial asset at fair value through profit or loss		
Net income from foreign exchange operation	-1	
Net income from hedge accounting		
Change in hedging instruments' fair value	14,303	-43,958
Change in hedged items' fair value	-13,464	41,138
Total	839	-2,820

NOTE 9. OTHER INCOME AND EXPENSES

9.1 OTHER OPERATING REVENUE

(EUR 1,000)	1–12/2023	1–12/2022
Other income from Banking*	4,684	3,581
Other operating revenue	4,684	3,581

* 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.

9.2 OTHER OPERATING EXPENSES

(EUR 1,000)	1–12/2023	1–12/2022
Other administrative expenses		
Other personnel expenses	-270	-160
Office expenses	-8,754	-8,114
ICT expenses	-5,118	-3,744
Telecommunications	-592	-519
Representation expenses		-1
Marketing	-68	-13
Other operating expenses	-6	
Total	-14,809	-12,551
Other operating expenses		
Rental expenses	-372	-324
Expenses arising from owner-occupied property	-13	-45
Bank levy		
Other operating expenses*	-1,957	-1,454
Total	-2,341	-1,822
Other operating expenses	-17,150	-14,373
***Audit fees**		
Statutory audit	-41	-36
Audit related services		-7
Other services	-28	-28
Total	-69	-71

NOTE 10. PERSONNEL EXPENSES

Employee benefits include short-term employee benefits, termination benefits, post-employment benefits and other long-term employee benefits. IAS 19 Employee Benefits determines the accounting treatment of employee benefits. Short-term employee benefits include e.g. wages, salaries and benefits, annual leave, bonuses, extra insurances and loans granted with an interest rate lower than the market rate. Short-term employee benefits are expected to be paid in full within 12 months after the end of the financial year during which 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.

Personnel expenses include wages and salaries, pension expenses for defined contribution and defined benefit pension plans and other personnel-related costs.

(EUR 1,000)	1–12/2023	1–12/2022
Wages and salaries	-3,871	-3,725
Pension expenses		
Defined contribution plans	-678	-649
Other personnel related costs	-165	-148
Personnel expenses	-4,713	-4,522
Full-time	50	40
Part-time*	1	1
Temporary*	1	1
Total	51	42
Number of employees converted to FTEs	46	39
Average number of FTEs during the financial year	48	46

* In 2023 one person working part-time as temporary employee

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.

For defined contribution plans, the Central Bank of Savings Banks pays fixed pension contributions to pension insurance companies. The Central Bank of Savings Bankshas no legal or actual obligation to make additional payments in case the pension insurance company is not able to make the benefit payments. The most significant contribution-based plan is the basic employee insurance (TyEL) subject to the Pensions Act. Independent pension insurance companies are responsible for this pension scheme within the Central Bank of Savings Banks.

Other long-term employee benefits are based on long-term employment. Such benefits include e.g. paid vacation and bonuses or gifts, which are granted on the basis of accumulated years of service.

NOTE 11. LOANS AND ADVANCES

11.1 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

Loans and advances to credit institutions and customers are primarily classified as measured at amortised cost and are consequently subject to calculation of expected credit losses. The table below presents the gross values, allowances for expected credit losses and balance values for loans and advances by product type.

LOANS AND ADVANCES

31.12.2023 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	119,183		119,183
Loans and other receivables	1,505,599	-205	1,505,394
Total	1,624,782	-205	1,624,576
Loans and advances to customers			
Used overdrafts	39,491	-425	39,066
Credit cards	112,669	-2,824	109,845
Total	152,160	-3,249	148,911
Loans and advances total	1,776,941	-3,454	1,773,487

LOANS AND ADVANCES

31.12.2022 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	143,777	-1	143,776
Loans and other receivables	1,787,131	-258	1,786,873
Total	1,930,909	-259	1,930,649
Loans and advances to customers			
Used overdrafts	29,330	-136	29,194
Credit cards	113,722	-2,300	111,422
Total	143,052	-2,436	140,616
Loans and advances total	2,073,961	-2,696	2,071,265

11.2 INVESTMENT ASSETS

2023 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
Other	52,934	4,000	48,106	105,040
Total	52,934	4,000	48,106	105,040

2022 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
Other	54,926	3,200	49,825	107,950
Total	54,926	3,200	49,825	107,950

11.3 IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

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

- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

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

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 Dec. 2023				
Investment assets	52,267			52,267
Loans and advances to credit institutions	1,574,839			1,574,839
Loans and advances to customers	139,352	7,247	2,464	149,063
Off-balance sheet items	557,569	11,774	66	569,409
Total	2,324,026	19,021	2,530	2,345,578

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 Dec. 2022				
Investment assets	53,102			53,102
Loans and advances to credit institutions	1,792,145			1,792,145
Loans and advances to customers	134,244	6,056	1,996	142,295
Off-balance sheet items	399,700	10,967	87	410,755
Total	2,379,191	17,023	2,083	2,398,297

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

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when payment delay exceeds 30 days. When payment delay for a financial asset exceeding the threshold exceeds 90 days, it is deemed to be impaired and is migrated to stage 3.
- PD% increase: 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.
- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significanlty and the contract is migrated from stage 1 to stage 2. If the contract is forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.
- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

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 the expected credit losses as of the begining of the reporting period.

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 2023	265	297	1,934	2,496
Transfers to Stage 1	44	-98		-54
Transfers to Stage 2	-92	473	-21	360
Transfers to Stage 3		-273	1,989	1,716
New assets originated or purchased	112		5	118
Assets derecognised or repaid	31	17	-910	-863
Amounts written off			-827	-827
Amounts recovered			281	281
Change in credit risk without change in Stage	44	56	-21	79
Net change in ECL	138	176	497	810
Expected Credit Losses 31 December 2023	403	472	2,431	3,306

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 2023	340			340
New assets originated or purchased	166			166
Assets derecognised or repaid (excluding write offs)	-187			-187
Amounts written off	-6			-6
Net change in ECL	-26			-26
Expected Credit Losses 31 December 2023	313			313

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSET

(EUR 1,000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected Credit Losses 1 January 2023	99			99
New assets originated or purchased	32			32
Assets derecognised or repaid (excluding write offs)	-29			-29
Transfers from Stage 3 to Stage 2	5			5
Net change in ECL	9			9
Expected Credit Losses 31 December 2023	108			108
Expected Credit Losses 31 December 2023 total	824	472	2,431	3,728
Net change in ECL 1.1.–31.12.2023: loans and advances, off-balanse sheet and investment assets	120	176	497	793

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

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

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2022	206			206
New assets originated or purchased	132			132
Assets derecognised or repaid (excluding write offs)	-58			-58
Net change in ECL	73			73
Expected Credit Losses 31 December 2022 total	279			279

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	29			29
Assets derecognised or repaid (excluding write offs)	-57			-57
Net change in ECL	-29			-29
Expected Credit Losses 31 December 2022 total	160			160
Expected Credit Losses 31 December 2022 total	704	297	1,934	2,935
Net change in ECL 1.1.–31.12.2022: loans and advances, off-balanse sheet and investment assets	127	83	527	737

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The 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 key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2023	2024	2025
- Change in EuropeStoxx%	-8.4% / 12%	-2.9% / 8.0%	-0.5% / 10.0%
- Change in GDP	-1.0% / 0.5%	0.60%	1.00%
- Investments	-5.0% / -1.0%	0.50%	1.50%

WAR IN UKRAINE AND IMPACTS OF THE ECONOMIC SANCTIONS AGAINST RUSSIA

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

NOTE 12. FUNDING

12.1 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2023	31.12.2022
Liabilities to credit institutions		
Liabilities to central banks	68,000	68,000
Liabilities to credit institutions	1,435,452	1,685,917
Total	1,503,452	1,753,917
Liabilities to customers		
Deposits	6,057	44
Other financial liabilities*	652,969	573,988
Total	659,027	574,032
Liabilities to credit institutions and customers	2,162,479	2,327,948

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

12.2 DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2023	
Measured at amortized cost	**Nominal value**	**Book value**
Bonds	927,500	889,222
Other		
Certificates of deposit	102,000	100,269
Debt securities issued	1,029,500	989,491
Of which		
Variable interest rate	497,500	495,403
Fixed interest rate	532,000	494,088
Total	1,029,500	989,491

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

NOTE 13. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are classified into measurement categories on initial recognition. The measurement category defines subsequent measurement of a financial asset or liability.

CLASSFICATION AND MEASUREMENT OF FINANCIAL ASSETS

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 is 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 the Central Bank of Savings Banks 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 statements nor does it change the classification of the remaining financial assets held in that business model.

Assesment 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. The cash flow criteria is assessed separately for each instrument and 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.

FINANCIAL ASSETS – MEASUREMENT CATEGORIES AND PRINCIPLES FOR CLASSIFICATION

Amortised cost

A financial asset is measured at amortised cost when 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.

On initial recognition the Central Bank of Savings Banks 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 recognised, less deferred taxes, in the statement of other comprehensive income. 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 amortised cost or recognised at fair value through other comprehensive income are recognised 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 recognising 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.

Financial assets that are investments in debt instruments are reclassified only when the Savings Banks Group changes the business models applied in the management of financial assets. The Savings Banks Group expects such changes to be highly infrequent and it has not reclassified any financial assets during the review period.

Classification and measruement of financial liabilities

Financial liabilities are classified into following measurement categories for the purposes of subsequent measurement:

- amortised cost
- fair value through profit or loss.

Financial liabilities are principally measured at amortised cost. Derivative contracts and other investors' participation in consolidated funds are measured at fair value through profit or loss.

The table below presents financial assets and libilities by balance items broken down into measurement categories for continuing operations.

31.12.2023 (EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
Cash and cash equivalents			1,424,785	1,424,785
Loans and advances to credit institutions	1,624,576			1,624,576
Loans and advances to customers	148,911			148,911
Derivatives			847	847
fair value			847	847
Investment assets	48,106	52,934	4,000	105,040
Total assets	1,821,593	52,934	1,429,633	3,304,160
Liabilities to credit institutions	1,503,452			1,503,452
Liabilities to customers	659,027			659,027
Derivatives			40,652	40,652
fair value	989,491		40,652	40,652
Debt securities issued	989,491			989,491
Total liabilities	3,151,970		40,652	3,192,622

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

13.1 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.

31.12.2023				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements		
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held/received as collateral	Net amount
Assets						
Derivative contracts	2,482	50	2,532	2,532		0
Total				2,532		0
Liabilities						
Derivative contracts	44,327	50	44,378	2,532	42,318	0
Total				2,532		0

31.12.2022				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements		
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held/received as collateral	Net amount
Assets						
Derivative contracts	84		84	84		0
Total				84		0
Liabilities						
Derivative contracts	54,821		54,821	84	54,650	0
Total				84		0

NOTE 14. 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 funding and fixed rate debt issuance.

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

31.12.2023	**Nominal value / remaining maturity**				**Fair value**	
(EUR 1,000)	**less than 1 year**	**1 – 5 years**	**over 5 years**	**Total**	**Assets**	**Liabilities**
Fair value hedging*						
Interest rate derivatives	100,000	130,000	168,000	398,000	847	40,691
Total	100,000	130,000	168,000	398,000	847	40,691

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

* Fixed rate funding (Liabilities to credit institutions) in fair value hedging groups have total nominal value of 200,000 thousand EUR and total fair value of 200,000 thousand EUR. Nominal values of hedges equal to the nominal values of exposures.The fair value adjustment to the balance sheet value of the underlying deposits was -659 thousand EUR, resulting in the balance sheet value of hedged deposits to be 200,659 thousand EUR. The fair value of interest rate derivatives related to deposits was 847 thousand EUR.

Fixed rate issued bonds designated as exposures in fair value hedging groups have total nominal value of EUR 198,000,000 and total fair value of EUR 196,814,588. Nominal values of hedges equal to the nominal values of exposures. The fair value adjustment to the balance sheet value of the underlying issued bonds was -36,419 thousand EUR, resulting in the balance sheet value of hedged bonds to be 160,396 thousand EU. The fair value of interest rate derivatives related to -40,652 thousand EUR.

NOTE 15. FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE MEASUREMENT

The SB Central Bank measures assets and liabilities at amortised cost or at fair value. Financial assets and liabilities that are classifed as to be measured at fair value are measured at fair value. The break down of financial assets and liabilities into measurement categories is presented in note 13.

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. The fair values of financial instruments are primarily determined using quotations on a publicly traded market 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 a financial asset.

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. In respect of cash and deposits payable on demand, the nominal value is considered as an approximation of the fair value.

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

FAIR VALUE HIERARCHY

The fair values are divided into three hierarchical levels, depending on how the fair value is defined. 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.

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.

The table presents carrying amounts and fair values of financial assets and liabilities as well as investment properties and break down of fair values into the levels of fair value hierarchy for continuing operations. The vair values presented exclude accrued interest and possible effects arising from hedging derivative instruments.

31.12.2023	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss	1,497,594	1,493,606		4,000	1,497,606
Derivative contracts	847		847		847
Fair value through other comprehensive income	52,934		57,333	809	58,142
Measured at amortized cost	1,752,785	50,470	1,561,185	187,572	1,799,227
Total financial assets	3,304,160	1,544,076	1,619,365	192,381	3,355,822

31.12.2023	Carrying amount	Fair value by hierarchy level			
Financial liabilities (EUR 1,000)		**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
Derivative contracts	40,691		40,652		40,652
Measured at amortized cost	3,151,970	778,351	2,383,536		3,161,887
Total financial liabilities	3,192,661	778,351	2,424,188		3,202,539

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial assets at fair value through profit or loss	
Carrying amount 1 January 2023	3,200
Sales	800
Carrying amount 31 December 2023	4,000

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

Fair value through other comprehensive income	
Carrying amount 1 January 2023	2,055
Sales	-1,448
Changes in value recognised in comprehensive income statement	202
Carrying amount 31 December 2023	809

Fair value through other comprehensive income	
Carrying amount 1 January 2022	1,237
Sales	-61
Changes in value recognised in comprehensive income statement	879
Carrying amount 31 December 2022	2,055

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

31.12.2023	Carrying amount	Effect of hypothetical changes	
(EUR 1,000)		Positive	Negative
At fair value through profit or loss	4,000	4,600	3,400
Fair value through other comprehensive income	800	930	687

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.

NOTE 16. FIXED ASSETS

16.1 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”.

Software as a Service (SaaS) projects

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.

INTANGIBLE ASSETS

(EUR 1,000)	31.12.2023	31.12.2022
Intangible rights	4,089	5,942
Intangible assets under development	7,194	2,537
Intangible assets	11,284	8,479

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

31.12.2023 (EUR 1,000) Changes in intangible assets	Intangible rights	Intangible assets under development	Total
Acquisition cost 1 January	12,747	2,537	15,283
Increases	147	4,658	4,805
Decreases			
Acquisition cost 31 December	12,894	7,194	20,088
Accumulated depreciation and impairments 1 January	-6,805		-6,805
Depreciation for the financial year	-2,000		-2,000
Accumulated depreciation and impairments 31 December	-8,804		-8,804
Carrying amount 31 December	4,089	7,194	11,284

31.12.2022 (EUR 1,000) Changes in intangible assets	Intangible rights	Intangible assets under development	Total
Acquisition cost 1 January	10,313	2,312	12,625
Increases	2,434	224	2,658
Acquisition cost 31 December	12,747	2,537	15,283
Accumulated depreciation and impairments 1 January	-5,109		-5,109
Depreciation for the financial year	-1,695		-1,695
Accumulated depreciation and impairments 31 December	-6,805		-6,805
Carrying amount 31 December	5,942	2,537	8,479

16.2 PROPERTY, PLANT AND EQUIPMENT

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

(EUR 1,000)	31.12.2023	31.12.2022
Machinery and equipment	108	21
Other tangible assets		
Property, plant and equipment	108	21

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.

31.12.2023 (EUR 1,000) Changes in property, plant and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January	268	72	340
Increases	121		121
Decreases	-96		-96
Acquisition cost 31 December	292	72	364
Accumulated depreciation and impairments 1 January	-247	-72	-319
Depreciation for the financial year	-26		-26
Decreases	88		88
Accumulated depreciation and impairments 31 December	-185	-72	-257
Carrying amount 31 December	108	0	108

31.12.2022 (EUR 1,000) Changes in property, plant and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January	268	72	340
Decreases			
Acquisition cost 31 December	268	72	340
Accumulated depreciation and impairments 1 January	-219	-59	-278
Depreciation for the financial year	-28	-13	-41
Accumulated depreciation and impairments 31 December	-247	-72	-319
Carrying amount 31 December	21	0	21

16.3 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.

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)	2023	2022
Expense relating to short-term leases	43	35
Total	43	35

SB Central Bank doesn’t act as a lessor.

NOTE 17. CAPITAL AND RESERVES

(EUR 1,000)	31.12.2023	31.12.2022
Share capital	94,812	94,812
Reserves		
Reserve for invested non-restricted equity	19,000	19,000
Fair value reserve	-959	434
Retained earnings		
Profit (loss) for previous financial years	2,975	-3,884
Profit (loss) for the financial year	14,396	5,663
Total equity	130,223	116,024

Specification of changes in fair value reserve	2023	2022
Fair value reserve 1 January	434	542
Profit/loss from fair value measurements, shares	-994	829
Profit/loss from fair value measurements, debt securities	-746	-957
Deferred tax from fair value measurements	348	27
Expected credit losses from debt securities, fair value through other comprehensive income	-1	-7
Fair value reserve 31 December	-959	434

Share capital

Share capital includes paid share 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 35,735 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.

NOTE 18. TAXES

18.1 INCOME TAXES

Income taxes comprises tax based on the profit for the financial year, previous financial years' tax adjustments and changes in deferred taxes. Taxes are recognised in the income statement except if they relate directly to items recognised directly in equity or in other comprehensive income. In these circumstances the tax is also recognised directly in equity or in other comprehensive income, respectively.

(EUR 1,000)	1–12/2023	1–12/2022
Current tax	-4,056	-1,022
Tax for prior years	-31	
Change in deferred tax assets	150	-420
Income taxes	-3,938	-1,443

RECONCILIATION BETWEEN TAX EXPENSE IN THE INCOME STATEMENT AND TAX EXPENSE CALCULATED BY THE APPLICABLE TAX RATE

Reconciliation of effective tax rate (EUR 1,000)	1–12/2023	1–12/2022
Accounting profit before taxes	18,333	7,106
Differences between accounting and taxable profit	1,945	-1,994
Taxable profit	20,278	5,112
Tax using the domestic corporation tax rate	-3,667	-1,421
Non-deductible expenses	-159	-152
Unrecognised deductible expenses	159	152
Unrecognised taxable income	-239	-10
Use of approved tax losses for prior years		-11
Tax for prior years	-31	
Tax expense	-3,938	-1,443
Corporate income tax rate	20%	20%

18.2 DEFERRED TAXES

(EUR 1,000)	31.12.2023	31.12.2022
Deferred tax assets	1,129	830
Tax assets	1,129	830
Deferred tax liabilities	135	334
Tax liability	135	334

(EUR 1,000)	31.12.2023	31.12.2022
Deferred tax assets		
Impairment	746	587
Financial assets	375	226
Intangible assets	9	18
Total	1,129	830

(EUR 1,000)	31.12.2023	31.12.2022
Deferred tax liabilities		
Financial assets	135	334
Total	135	334

Deferred taxes are calculated on the basis of temporary taxable differences between accounting and taxation. 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 that apply when the related deferred tax is expected to be realised. A change in deferred tax resulting from changing tax rates is recognised in the income statement or other comprehensive income if the tax was recorded there during earlier financial years.

(EUR 1,000)	1.1.2023	Change recognised in profit or loss	Financial assets	31.12.2023
Deferred tax assets				
Impairment	587	159		746
Financial assets	226		149	375
Intangible assets	18	-9		9
Total	830	150	149	1,129

(EUR 1,000)	1.1.2023	Change recognised in profit or loss	Financial assets	31.12.2023
Deferred tax liabilities				
Financial assets	334		-199	135
Total	334		-199	135

(EUR 1,000)	1.1.2022	Change recognised in profit or loss	Financial assets	31.12.2022
Deferred tax assets				
Impairment	440	147		587
Financial assets	226			226
Intangible assets	13	4		18
Approved tax losses	572	-572		
Total	1,251	-420		830

(EUR 1,000)	1.1.2022	Change recognised in profit or loss	Financial assets	31.12.2022
Deferred tax liabilities				
Financial assets	273		61	334
Total	273		61	334

NOTE 19. OTHER ASSETS, LIABILITIES AND PROVISIONS

19.1 OTHER ASSETS

(EUR 1,000)	31.12.2023	31.12.2022
Accrued income and prepaid expenses	29,030	14,827
Interest	22,323	10,733
Other accrued income and prepaid expenses	6,707	4,093
Other	42,037	18,063
Other assets	71,067	32,890

19.2 PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2023	31.12.2022
Other liabilities	27,722	31,607
Accrued expenses	33,277	10,477
Interest payable	27,904	5,852
Interest advances received		657
Other accrued expenses	5,372	3,968
Provisions	111	79
Other provisions*	111	79
Other liabilities	61,110	42,163

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

Provisions are recognised when the SB Central Bank has a legal or constructive obligation as a result of a past event and it is probable that the obligation will be settled, and the management can reliably estimate the amount of the obligation. Where part of the obligation is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset when it is virtually certain that reimbursement will be received. Provisions are reviewed at each reporting date and adjusted if necessary. Provisions are measured at the present value of the amount that is expected to meet the obligation.

If the above obligation exists but the requirements for recognition are not fulfilled, the obligation is a contingent liability. Contingent liabilities are not recognised in the balance sheet; instead, it is presented in the notes to the financial statements. A contingent liability shall also be assessed separately at each reporting date.

NOTE 20. CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2023	31.12.2022
Receivables from central banks repayable on demand	1,424,785	1,200,500
Cash and cash equivalents	1,424,785	1,200,500

OTHER NOTES

NOTE 21. COLLATERALS

(EUR 1,000)	31.12.2023	31.12.2022
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Securities	93,729	90,055
Other	42,260	54,650
Collateral given	135,989	144,705
Collateral received		
Securities	35,201	40,413
Collateral received	35,201	40,413

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

NOTE 22. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2023	31.12.2022
Guarantees		10,000
Loan commitments	255,921	280,592
Other*	312,300	141,000
Off balance-sheet commitments	568,221	431,592

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

NOTE 23. 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 and consumer credit loans, SB Central Bank has granted no related party loans or investments and has no related party business activities. Card credits to related parties are subject to the same general terms and conditions as corresponding customer credits.

Key management personnel compensation (EUR 1,000)	2023	2022
Short-term employee benefits	274	271
Total	274	271

2023	Salary and remuneration	Statutory pension expenses
Brander Kai, CEO	239	42
Mangs Monica, Chairman of the Board of Directors	13	
Alameri Karri, member of the Board of Directors		
Siviranta Petri, member of the Board of Directors	7	
Rouhe Samu, member of the Board of Directors	7	
Öhman Ossi, Vice-Chairman of the Board of Directors	9	
Total	274	42

Key personnel compensation *

2022	Salary and remuneration	Statutory pension expenses
Brander Kai, CEO	232	39
Mangs Monica, Chairman of the Board of Directors	13	
Koivunen Maija, member as from 10 March 2022, resigned from Board of Directors 19 May 2022	1	
Niuro Jouni, member of the Board of Directors until 10 March 2022	2	
Siviranta Petri, member of the Board of Directors	8	
Rouhe Samu, member as from 10 March 2022	5	
Toivonen Anne, member of the Board until 10 March 2022	2	
Öhman Ossi, Vice-Chairman of the Board of Directors	9	
Total	271	39

NOTE 24. MATERIAL EVENTS AFTER THE CLOSING DATE

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

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

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

Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Bank of Savings Banks Finland Plc (business identity code 2238752-5) for the year ended 31 December, 2023. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information.

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the company are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the financial statements.

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

Materiality

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

Key Audit Matters

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

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

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

Valuation of receivables (loans and receivables from customers); Notes to financial statements 2, 3, 4 and 11

— Calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the valuation models used by the bank. The calculation of expected credit losses involves assumptions, estimates and management judgements for example in respect to the probability and amount of the expected credit losses as well as determining significant increases in credit risk. — The components of the calculation of expected credit losses are continuously updated and specified based on realized development of credit losses, validation and development of the calculation process as well as regulatory changes and requirements. — Due to the significance of the carrying amount involved, complexity of the accounting methods and management judgement involved, receivables from customers are addressed as a key audit matter.	— We assessed principles and controls over recognition and monitoring of loan receivables. Our audit procedures included testing of controls regarding determination and recording of expected credit losses on loans. — We have obtained an understanding of the control environment of the calculation of expected credit losses using centralized audit procedures. — Furthermore, we assessed the appropriateness of the note disclosures made in relation to receivables and impairment losses.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 19 March 2015, and our appointment represents a total period of uninterrupted engagement of 9 years.

Other Information

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

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

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

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

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

Helsinki, 13 February 2024

KPMG OY AB

MIKKO KYLLIÄINEN
Authorised Public Accountant, KHT

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