CENTRAL BANK OF SAVINGS BANKS FINLAND PLC

HALF-YEAR REPORT

FOR 1 JANUARY – 30 JUNE 2024

Central Bank of Savings Banks

Translation of the Central Bank of Savings Banks Finland Plc's half-year report 1.1.-30.6.2024

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BOARD OF DIRECTORS' REVIEW FOR 1 JANUARY – 30 JUNE 2024

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.

During the period under review, the focus of Savings Bank's business was on offering high-quality services and continuous service development.

SB Central Bank's operating profit for January – June came to EUR 5.1 million and the balance sheet total amounted to EUR 3 951 million.

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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 notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

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 growth outlook of the global economy was fairly subdued at the beginning of 2024, with economic forecasts projecting growth to be slower than the long-term average. As it turned out, economic growth was slightly above expectations in the first half of the year.

In the United States, economic growth has remained strong and the expected weakening of the economy has yet to materialise. Going forward, economic growth in the US is expected to slow slightly, but it is nevertheless projected to remain at a good level of just over 2% for the full year 2024.

The Chinese economy also outperformed expectations in the first half of the year, albeit largely supported by stimulus measures. The housing market is still one of the concerns in the Chinese economy, and it is also keeping consumers cautious. The Chinese economy is projected to grow by approximately 5% this year.

In Europe, economic growth has been weak, but still slightly better than previously feared. Having contracted in the latter part of last year, the economy turned to growth in the first quarter. Exceptionally, the strongest growth figures were seen in Southern European countries, such as Greece and Spain. Growth in the eurozone is expected to accelerate slightly, but economic growth for the full year 2024 is projected to be less than 1%.

The slowing of inflation around the world makes it possible for central banks to lower their key interest rates. The expectations of rate cuts have, however, decreased substantially when compared to the start of the year. The European Central Bank lowered its key interest rates at its meeting in early June. At the time of writing, one or two further rate cuts are still expected this year. The rate cut cycle has yet to begin in the US, but the Fed is expected to lower its rates before the end of the year. Interest rates are trending downwards, but there is a lot of uncertainty regarding the rate of the decrease.

Interest rate environment

In the first half of 2024, short-term interest rates in the eurozone fluctuated within a relatively narrow range when compared to the previous year. For example, the 12-month Euribor rate, which is used as the general reference rate for mortgages, had a range of movement of approximately 0.25 percentage points. Long-term interest rates have trended slightly upward since the turn of the year as the expectations of quick rate cuts evaporated.

The interest rate environment remained favourable for banking operations in the first half of 2024. The interest rate curve has enabled the positive development of net interest income in basic operations. At the same time, in wholesale financing, costs have decreased for both covered bonds and senior loans.

The future development of interest rates remains largely open. On 6 June 2024, the European Central Bank carried out its first interest rate cut in an expected series of cuts. However, the timing of future rate cuts remains uncertain because the ECB simultaneously made an upward adjustment to its inflation projections for 2024 and 2025.

Investment markets

From the perspective of the investment markets, the first half of the year was positive as a whole. Equity markets developed in a positive direction as companies reported better earnings growth than expected. A recovery was also seen in emerging market equities, and investor confidence in the outlook of emerging markets improved during the first half of the year. In the corporate bond markets, credit risk margins narrowed and the demand for corporate bonds remained very strong. In the sovereign bond market, yields were below expectations as central banks gave indications of slower rate cuts this year and in 2025. On the whole, investor confidence in the development of the market is very strong, but the risk of a correction has simultaneously increased. From the perspective of the investment markets, the key factors influencing development during the remainder of the year are geopolitical risks, monetary policy and the US presidential election.

The Finnish economy

The Finnish economy is sensitive to interest rates. Consequently, the rise in interest rates has had a particularly heavy impact on Finland. Last year, the economy contracted by 1% and Finland was one of the poorest performers in the EU. The economic outlook was fairly subdued at the start of the year, but the GDP growth figure for the first quarter came as a positive surprise. According to the current statistics, the Finnish economy rebounded from its slump and returned to growth, albeit at a rather modest rate (+0.2% QOQ).

The low ebb in the economy remains quite broad-based. The housing market and construction have been hit hard by the rise in interest rates and the outlook remains weak for construction in particular. The economic situation in the industrial sector is also subdued. The service sector has performed better. The situation is improving for consumers as their purchasing power is increasing again, but consumer confidence remains very low.

We expect the Finnish economy to improve a little in the second half of 2024. This will be enabled by falling interest rates and the slight recovery of the global economy. However, there are still risks associated with this view. For example, a rapid deterioration of the geopolitical situation or delays in rate cuts would have a negative impact on Finland's economic outlook.

The housing market in Finland

The housing market slump has continued since October 2022. The transaction volume has been subdued due to the low consumer confidence index and rapid rise in interest rates in particular. During the first five months of the year, the number of housing transactions decreased by over 5% year-on-year according to the price monitoring service of the Federation of Real Estate Agency in Finland. The demand for small apartments has been particularly low, while various types of dwellings in the family size category have seen moderate demand.

There was regional variation in the transaction volumes for old dwellings in the first half of the year. The transaction volume decreased by 12% in the Helsinki metropolitan area, by nearly 6% in the surrounding municipalities and by only 2% in other parts of Finland. The changes in the market have continued to have a significant negative impact on the transaction volume for new dwellings, as it has declined by over 18% from the previous year. For the Finnish cities with a significant number of housing transactions, the year-on-year changes during the January – May period remained negative: Helsinki -11%, Tampere -0.5%, Turku -18.5%, Jyväskylä -1.1% and Oulu -2.5%.

The housing market is expected to recover in the latter part of 2024. This recovery will be driven particularly by increased consumer purchasing power, falling interest rates, pent-up demand and improving consumer confidence. We project an increase of 0–5% in the transaction volume for old dwellings, but we expect the average prices for old dwellings to be lower than in the previous year by -1%.

SB CENTRAL BANK'S PROFIT AND BALANCE SHEET

KEY PERFORMANCE INDICATORS

(EUR 1,000)	06/2024	12/2023	06/2023
Revenue	101,551	154,188	67,701
Net interest income	11,258	31,234	16,475
% of revenue	11.1%	20.3%	24.3%
Operating profit	5,053	18,333	12,531
% of revenue	5.0%	11.9%	18.5%
Total operating revenue	19,034	43,560	24,262
Total operating expenses	-13,151	-23,889	-11,663
Cost to income ratio %	69.1%	54.8%	48.1%
Total assets	3,951,421	3,387,747	3,127,785
Total equity	135,324	130,223	127,278
Return on equity %	3.2%	11.7%	8.0%
Return on assets %	0.1%	0.4%	0.6%
Equity/assets ratio %	3.4%	3.8%	4.1%
Solvency ratio %	44.3%	43.9%	54.2%
Impairment losses on loan and other receivables	-831	-1,338	-69

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1–6/2023)

SB Central Bank's operating profit was EUR 5.1 (12.5) million and net profit for the period was EUR 4.2 (9.8) million.

PROFITS

Total operating revenue came to EUR 19.0 (24.3) million.

Net interest income decreased to EUR 11.3 (16.5) million. Interest income continued to develop favourably, amounting to EUR 83.2 (50.8) million, while interest expenses increased to EUR -71.9 (-34.3) million. The growth in interest income was driven by increased interest income from both lending and liquid assets as interest rates were higher than in the comparison period. The increase in interest expenses was also attributable to the rise in reference rates. Hedging through interest rate derivatives accounted for EUR -8.9 (-2.7) million of the net interest income.

Net fee and commission income decreased to EUR 3.1 (3.3) million. The level of fee and commission income was EUR 13.6 (12.5) million, while fee and commission expenses amounted to EUR -10.6 (-9.1) million.

Net trading income was EUR 0.6 (0.4) million. Unrealised profits of the net profit from hedge accounting accounted for EUR 0.4 million of the net investment income. Net trading income also includes the payment of a fund's profit distribution (EUR 0.4 million) and the expenses arising from the purchase of an intra-group capital loan (EUR -0.2 million).

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

COSTS

Our total operating expenses before impairment losses of financial assets amounted to EUR -13.2 (-11.7) million.

Personnel expenses increased to EUR -2.7 (-2.3) million.

Other operating expenses increased by EUR 1.1 million and amounted to EUR -9.4 (-8.3) million. The increase in other operating expenses was due to the increased costs of development activities and continuous services.

Depreciation of tangible and intangible assets totalled EUR -1.1 (-1.0) million.

Net impairment loss on financial assets increased by EUR 0.8 million and amounted to EUR -0.8 (-0.1) million. The development of impairment losses was particularly influenced by the increase in expected credit losses, while there was no significant change in realised credit losses.

BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2023)

The balance sheet of SB Central Bank totalled EUR 3,951 (3,388) million.

Wholesale funding and other financing

The total nominal value of bonds issued by SB Central Bank was EUR 1,177.5 million. New long-term unsecured bonds under the EMTN programme with a total nominal value of EUR 370 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 1,982 (1,503) million at the end of the period, consisting 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 the TLTRO III programme and has raised secured funding with total value of EUR 30.0 (68.0) million. Term deposits from other than Savings Banks Group entities totalled EUR 350 (350) million.

Liabilities to customers totalled EUR 514 (659) million and consisted mainly of term deposits from foreign corporations and public entities. The line item also includes an LCR deposit of EUR 6 million from Savings Bank Services Ltd, which is part of the Amalgamation.

Lending

Loans and advances to credit institutions totalled EUR 1,718 (1,625) million at the end of the period. The line item consists mainly of unsecured loans (EUR 1,577 million) and repurchase agreements (EUR 15 million) to group internal Savings Banks. The line item also contains the minimum reserve deposit of the Amalgamation and cash given as collateral to derivative counterparty banks.

Loans and advances to customers totalled EUR 162 (149) million and consisted mainly of credit card and consumer credit loan balances. The interest-bearing credit card balance was EUR 87 (83) million and the consumer credit loan balance was EUR 42 (39) million. Non-performing credit receivables represented 2.54% (1.93%) of the total balances on 30 June 2024.

Investment assets

Investment assets totalled EUR 129 (105) million and consisted mainly of ECB eligible debt in-struments (EUR 101 million). Other debt instruments totalled EUR 23 million at the end of the review period. SB Central Bank had also invested in non-listed funds with a total value of EUR 3.2 million and non-listed equities with a total value of EUR 0.8 million.

Shareholdings and equity

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

Equity capital on 30 June 2024 was EUR 135 (130) million, consisting wholly of CET1 capital.

CAPITAL ADEQUACY AND RISK POSITION

SB Central Bank's own funds totalled EUR 124.7 (118.7) million, while the minimum requirement for own funds was EUR 29.6 (28.4) million. Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital and it amounted to EUR 124.7 (118.7) million.

SB Central Bank's capital adequacy ratio was high, standing at 44.3 (43.9) per cent at the end of the period. The high capital adequacy figure 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 and leverage ratio (comparison figures 31 December 2023)

The capital requirement of SB Central Bank is formed by:
- 8% minimum capital requirements set by the 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 1.5%. 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.

The Financial Supervisory Authority's decision to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation entered into effect on 1 April 2024.

In 2024, the Financial Supervisory Authority has not imposed 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.

CAPITAL ADEQUACY

Own funds (EUR 1,000)	6/2024	31.12.2023
Common Equity Tier 1 (CET1) capital before regulatory adjustments	135,324	130,223
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-10,616	-11,543
Total CET1 capital	124,708	118,680
Additional Tier 1 (AT1) capital total		
Tier 1 capital (T1 = CET1 + AT1) total	124,708	118,680
Total capital (TC = T1 + T2)	124,708	118,680
Risk-weighted assets	281,556	270,101
of which: credit and counterparty risk	216,054	200,340
of which: credit valuation adjustments (CVA)	7,535	11,794
of which: market risk	-	-
of which: operational risk	57,967	57,967
Minimum total capital requirement	22,524	21,608
Excess total capital	102,184	97,072
Common Equity Tier 1 (as a percentage of the total risk exposure amount)	44.3%	43.9%
Tier 1 (as a percentage of the total risk exposure amount)	44.3%	43.9%
Total capital (as a percentage of the total risk exposure amount)	44.3%	43.9%
Capital requirement		
Total capital	124,708	118,680
Capital requirement total*	29,570	28,368
Capital buffer	95,138	90,313

* 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 5.3% (6.1%), exceeding the binding 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The most significant part of SB Central Bank's assets consist of group internal loans with 0% risk weight that are not included to the total leverage exposure amount when calculating the leverage ratio. The bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2024	31.12.2023
Tier 1 capital	124,708	118,680
Leverage ratio exposure	2,347,114	1,954,417
Leverage ratio	5.3%	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 April 2024, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement entered into effect from the date of the decision. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the Financial Stability Authority's decision, the MREL requirement applied to the Savings Banks Amalgamation is 20.84% of the total risk exposure amount or 7.72% of the total exposures, whichever is higher.

The MREL requirement for Sp Mortgage Bank Plc is 15.76% of the total risk amount or 5.92% 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

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

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

SB Central Bank's capital structure has remained strong.

The objectives, principles and organisation of risk management in SB Central Bank are the same as those presented in the 2023 financial statements.

CREDIT RATING

On 20 October 2023, S&P Global Ratings (S&P) changed the outlook of Central Bank of Savings Banks Finland Plc to stable. In connection with this, the long-term and short-term credit ratings were confirmed as A- / A-2.

OUTLOOK FOR THE YEAR

SB Central Bank's profit before tax for 2024 is expected to be lower than in the previous year, as planned. SB Central Bank will not record a significant profit or loss.

FURTHER INFORMATION

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

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

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

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

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

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

HALF-YEAR REPORT (IFRS)

INCOME STATEMENT

(EUR 1,000)	Note	1–6/2024	1–6/2023
Interest income		83,204	50,765
Interest expense		-71,945	-34,290
Net interest income	4	11,258	16,475
Net fee and commission income	5	3,060	3,336
Net trading income	6	605	394
Other operating revenue		4,111	4,058
Total operating revenue		19,034	24,262
Personnel expenses		-2,708	-2,343
Other operating expenses		-9,375	-8,305
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-1,068	-1,015
Total operating expenses		-13,151	-11,663
Net impairment loss on financial assets	7	-831	-69
Operating profit		5,053	12,531
Income tax expense	18	-821	-2,746
Profit		4,232	9,785

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1–6/2024	1–6/2023
Profit	4,232	9,785
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Capital gains from items booked to fair value and classified in other comprehensive income		1,196
Total		1,196
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	1,086	341
Deferred tax from fair value measurements	-217	-68
Total	869	273
Total comprehensive income	5,101	11,254

STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2024	31.12.2023
Assets			
Cash and cash equivalents		1,863,157	1,424,785
Loans and advances to credit institutions	7	1,718,226	1,624,576
Loans and advances to customers	7	161,551	148,911
Derivatives	10	382	847
Investment assets	7	128,667	105,040
Property, plant and equipment		93	108
Intangible assets		10,402	11,284
Tax assets		1,035	1,129
Other assets		67,908	71,067
Total assets		3,951,421	3,387,747

(EUR 1,000)	Note	30.6.2024	31.12.2023
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	8	1,982,372	1,503,452
Liabilities to customers	8	513,701	659,027
Derivatives	10	42,929	40,691
Debt securities issued	12	1,190,588	989,491
Tax liabilities		268	3,752
Other liabilities		86,239	61,110
Total liabilities		3,816,097	3,257,523
Equity			
Share capital		94,812	94,812
Reserves		18,910	18,041
Retained earnings		21,602	17,370
Total equity		135,324	130,223
Total liabilities and equity		3,951,421	3,387,747

STATEMENT OF CASH FLOWS

(EUR 1,000)	1–6/2024	1–6/2023
Cash flows from operating activities		
Profit	4,232	9,785
Adjustments for items without cash flow effect	1,967	3,350
Change in deferred tax	-111	9
Paid income taxes	-4,428	-1,223
Cash flows from operating activities before changes in assets and liabilities	1,660	11,921
Increase (-) or decrease (+) in operating assets	-122,512	283,589
Loans and advances to credit institutions	-89,882	274,448
Loans and advances to customers	-13,237	7,838
Investment assets, at fair value through other comprehensive income	-2,992	1,448
Investment assets, at amortized cost	-20,361	-103
Investment assets, fair value through profit or loss	800	-400
Other assets	3,159	358
Increase (-) or decrease (+) in operating liabilities	563,176	-306,489
Liabilities to credit institutions	480,157	-235,169
Liabilities to customers	-145,325	-38,862
Debt securities issued	203,223	-19,872
Other liabilities	25,121	-12,586
Total cash flows from operating activities	442,324	-10,978

(EUR 1,000)	1–6/2024	1–6/2023
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets	-171	-2,704
Total cash flows from investing activities	-171	-2,704
Cash flows from financing activities		
Total cash flows from financing activities		
Change in cash and cash equivalents	442,153	-13,683
Cash and cash equivalents at the beginning of the period	1,432,843	1,213,286
Cash and cash equivalents at the end of the period	1,874,995	1,199,603
Cash and cash equivalents comprise the following items:		
Cash	1,863,157	1,186,614
Receivables from central banks repayable on demand	11,838	12,989
Total cash and cash equivalents	1,874,995	1,199,603
Adjustments for items without cash flow effect		
Impairment losses on financial assets	914	
Changes in fair value	-390	
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	1,068	
Other adjustments	376	
Total Adjustments for items without cash flow effect	1,967	
Interest received	77,678	43,844
Interest paid	59,510	24,440
Dividends received	415	

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Fair value reserve	Total reserves	Retained earnings	Total equity
Equity 1 January 2023	94,812	19,000	434	19,434	1,779	116,025
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
Equity 1 January 2024	94,812	19,000	-959	18,041	17,370	130,223
Comprehensive income						
Profit					4,232	4,232
Other comprehensive income			869	869	0	869
Total comprehensive income			869	869	4,232	5,101
Total equity 30 June 2024	94,812	19,000	-90	18,910	21,602	135,324

BASIS OF PREPARATION

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

Central Bank of Savings Banks Finland Plc (hereinafter “SB Central Bank”) is a depository bank owned by Finnish Savings Banks. SB Central Bank’s primary function is to provide the Savings Banks with various central credit institution services. The central credit institution services focus on payment services and account operator services, payment card and consumer credit loan issuing, and services related to liquidity management, funding and asset and liability management. SB Central Bank belongs to the Savings Banks Group and its owners are the 14 Savings Banks of the Amalgamation.

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

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

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

NOTE 2: ACCOUNTING POLICIES

Overview

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

The half-year report 1.1.-30.6.2024 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2023. There has not been changes in accounting policies during the reporting period.

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

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

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

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

Critical accounting estimates and judgements

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

The critical estimates of SB Central Bank concern the future and key uncertainties related to estimates at the reporting date, and they relate in particular to determining fair value and impairment of financial asset. The key uncertainties in estimates made in the half-year report are particularly related to future economic development.

Determination of credit losses

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

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

SB Central Bank uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognizing an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model.

NOTE 3: SEGMENT INFORMATION

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

NOTES TO THE HALF-YEAR REPORT

NOTE 4: 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)	1–6/2024	1–6/2023
Interest income		
From financial assets at amortised cost		
Debt securities eligible for refinancing with Central Bank	749	103
Loans and advances to credit institutions	67,362	43,309
Loans and advances to customers*	8,620	6,593
Other**	165	197
Total	76,897	50,202
From financial assets at fair value through other comprehensive income		
Debt securities eligible for refinancing with Central Bank	1,311	507
Debt securities	173	2
Total	1,484	509
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	4,823	55
Total	4,823	55
Total interest income	83,204	50,765

(EUR 1,000)	1–6/2024	1–6/2023
Interest expense		
Financial liabilities at amortised cost		
Liabilities/debosits to credit institutions	-28,775	-15,967
Liabilities to customers	-12,419	-5,948
Debt securities issued	-21,874	-9,620
Other interest expenses	1	-1
Total	-63,067	-31,536
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-8,879	-2,754
Total	-8,879	-2,754
Total interest expenses	-71,945	-34,290
Net interest income	11,258	16,475
* of which interest income from loans in stage 3	99	63
** is made up of interest charges and limit commission based on account agreements.		

NOTE 5: 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 services are performed. Fees relating to services performed over several years are amortised over the service period. Fees that are directly attributable to a financial instrument are treated as part of an effective interest and accounted for as an adjustment to the effective interest of that financial instrument. Fees, relating to financial instruments classified at fair value through profit or loss are expensed in the income statement on initial recognition.

(EUR 1,000)	1–6/2024	1–6/2023
Fee and commission income		
Lending*	8,676	8,405
Deposits		
Payment transfers	3,947	3,461
Securities	815	472
Other	193	146
Total	13,631	12,484
Fee and commission expense		
Payment transfers	-1,805	-1,875
Securities	-332	-349
Other**	-8,434	-6,925
Total	-10,571	-9,149
Net fee and commission income	3,060	3,336

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

NOTE 6: NET TRADING INCOME

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

(EUR 1,000)	1–6/2024	1–6/2023
Net income from financial asset at fair value through profit or loss		
Valuation loss of capital loan	-200	
Capital refund of fund	415	
Net income from hedge accounting		
Change in hedging instruments' fair value	-2,974	4,548
Change in hedged items' fair value	3,364	-4,154
Total	605	394

NOTE 7: LOANS AND ADVANCES

7.1 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

30.6.2024 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	126,409		126,409
Loans and other receivables	1,592,036	-218	1,591,817
Total	1,718,444	-218	1,718,226
Loans and advances to customers			
By product			
Used overdrafts	42,119	-292	41,827
Loans	500		500
Credit cards	116,700	-3,475	113,225
Other receivables	5,999		5,999
Total	165,318	-3,766	161,551
Loans and advances total	1,883,762	-3,985	1,879,777

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			
By product			
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	1,776,942	-3,454	1,773,487

7.2 INVESTMENT ASSETS

(EUR 1,000)	30.6.2024	31.12.2023
At fair value through other comprehensive income		
Debt securities	56,171	52,125
Shares and participations	837	809
Total	57,008	52,934
Fair value through profit or loss		
Shares and participations	3,200	4,000
Total	3,200	4,000
Amortized cost investments		
Debt securities	68,499	48,138
Expected Credit Losses	-40	-32
Total	68,459	48,106
Investment assets	128,667	105,040

BREAKDOWN BY ISSUER OF QUOTATION

30.6.2024 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
From public entities			48,638	48,638
From others	57,008	3,200	19,821	80,029
Total	57,008	3,200	68,459	128,667

30.6.2023 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted				
From public entities			48,106	48,106
From others	52,934	4,000		56,934
Total	52,934	4,000	48,106	105,040

7.3 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 30 June 2024				
Investment assets	75,828			75,828
Loans and advances to credit institutions	2,030,312			2,030,312
Loans and advances to customers	143,204	9,145	3,085	155,434
Off-balance sheet items	255,625	13,576	66	269,267
Total	2,504,969	22,721	3,151	2,530,841

(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

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 2024	403	472	2,431	3,306
Transfers to Stage 1	33	-62		-30
Transfers to Stage 2	-96	418	-11	311
Transfers to Stage 3	-1	-209	1,261	1,051
New assets originated or purchased	60			60
Assets derecognised or repaid	-30	-50	-628	-708
Amounts written off			-53	-53
Amounts recovered			32	32
Change in credit risk without change in Stage	31	10	-5	36
Change in model for calculation of ECL	-80	-88	-12	-179
Net change in ECL	-83	19	584	520
Expected Credit Losses 30 June 2024	320	491	3,015	3,826

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 2024	313			313
New assets originated or purchased	136			136
Assets derecognised or repaid (excluding write offs)	-108			-108
Net change in ECL	28			28
Expected Credit Losses 30 June 2024	341			341

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 2024	108			108
New assets originated or purchased	8			8
Net change in ECL	8			8
Expected Credit Losses 30 June 2024	116			116
Expected Credit Losses 30 June 2024 total				4,283
Net change in ECL 1.1.–30.6.2024: loans and advances, off-balanse sheet and investment assets				555

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
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				3,728
Net change in ECL 1.1.–31.12.2023: loans and advances, off-balanse sheet and investment assets				793

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, takes into consideration customer and contract related riskfactors.
- 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).

	2024	2025	2026
- Change in EuropeStoxx%	-2.9% / 8.0%	-0.5% / 10.0%	6.0% / 8.0%
- Change in GDP	0.60%	1.00%	1.0% / 1.2%
- Investments	0.50%	1.50%	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.

EFFECT OF CHANGES IN THE ECL MODEL

Changes in the LGD models

ECL models have been changed during the review period. The LGD model previously applied in the calculation of ECL for loan contracts was based on a segmentation model, where the average LGD was estimated for three different segments. The new LGD models are modelled separately for retail and corporate exposures and consist of two components, cure rate and loss given loss. These model components take into consideration different variables depending on whether the exposure is classified as non-defaulted or defaulted.

Implementation of the new LGD models decreased the ECL amount by EUR 0,2 million. The effect of this change is presented in the line change in the model for calculation of ECL.

NOTE 8: FUNDING

8.1 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2024	31.12.2023
Liabilities to credit institutions		
Liabilities to central banks	30,000	68,000
Liabilities to credit institutions	1,952,372	1,435,452
Total	1,982,372	1,503,452
Liabilities to customers		
Deposits	6,289	6,057
Other financial liabilities*	507,412	652,969
Total	513,701	659,027
Liabilities to credit institutions and customers	2,496,073	2,162,479

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

8.2 DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2024	
Measured at amortized cost	**Nominal value**	**Book value**
Bonds	1,177,500	1,136,626
Other		
Certificates of deposit	55,000	53,961
Debt securities issued	1,232,500	1,190,588
Of which		
Variable interest rate	730,000	729,566
Fixed interest rate	502,500	461,022
Total	1,232,500	1,190,588

(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

NOTE 9: 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.

Assesement 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.

30.6.2024 (EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
Cash and cash equivalents			1,863,157	1,863,157
Loans and advances to credit institutions	1,718,226			1,718,226
Loans and advances to customers	161,051		500	161,551
Derivatives				382
fair value			107	107
other than hedging derivatives			275	275
Investment assets	68,459	57,008	3,200	128,667
Total assets	1,947,736	57,008	1,867,239	3,871,984
Liabilities to credit institutions	1,982,372			1,982,372
Liabilities to customers	513,701			513,701
Derivatives				42,929
fair value			42,885	42,885
other than hedging derivatives			44	44
Debt securities issued	1,190,588			1,190,588
Total liabilities	3,686,661		42,929	3,729,590

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				
fair value			847	847
Investment assets	48,106	52,934	4,000	105,040
Total assets	1,821,593	52,934	1,429,632	3,304,160
Liabilities to credit institutions	1,503,452			1,503,452
Liabilities to customers	659,027			659,027
Derivatives				
fair value			40,652	40,652
Debt securities issued	989,491			989,491
Total liabilities	3,151,970		40,652	3,192,622

9.1 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.

30.6.2024				**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**	**Cash held/received as collateral**	**Net amount**
Assets							
Derivative contracts	5,881	-360	5,521	-5,222			298
Variation Margin	328	-328					
Reverse repurchase agreements	15,816		15,816		-19,495		
Total	22,025	-688	21,336	-5,222	-19,495		298
Liabilities							
Derivative contracts	47,631	-615	47,017	-5,222		-43,445	672
Variation Margin	73	-73					
Total	47,705	-688	47,017	-5,222		-43,445	672

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**	**Net amount**
Assets							
Derivative contracts	2,582	-50	2,532	-2,532		0	0
Reverse repurchase agreements	29,959		29,959		-35,498		
Total	32,541	-50	32,491	-2,532	-35,498		0
Liabilities							
Derivative contracts	44,392	-14	44,378	-2,532		-42,318	1,010
Variation Margin	36	-36					
Total	44,428	-50	44,378	-2,532		-42,318	1,010

NOTE 10: DERIVATIVES AND HEDGE ACCOUNTING

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

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

Other than hedging derivatives include intra-group IRS transactions with Savings Banks and related external CCP transactions which economical terms are opposite to the intra-group transactions.

30.6.2024	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	**less than 1 year**	**1 – 5 years**	**over 5 years**	**Total**	**Assets**	**Liabilities**
Other than hedging derivatives						
Interest rate derivatives		50,000	40,000	90,000	275	44
Total	0,00	50,000	40,000	90,000	275	44
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	100,000	130,000	168,000	398,000	107	42,885
Total	100,000	130,000	168,000	398,000	107	42,885

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

* Fixed rate deposits (Loans and advances 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. The fair value adjustment resulting from hedge calculation dor the balance sheet item subject to hedging was 579 thousand decreasing the book value.

Fixed rate issued bonds designated as exposures in fair value hedging groups have total nominal value of EUR 198,000 thousand and total fair value of EUR 196,874 thousand. The fair value adjustment resulting from hedge calculation dor the balance sheet item subject to hedging was 38,545 thousand decreasing the book value.

Nominal values of hedging instruments equal to the nominal values of hedged items.

NOTE 11: FAIR VALUES BY VALUATION TECHNIQUE

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 9.

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.

30.6.2024	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	1,937,982	1,934,294	541	3,200	1,938,034
Derivative contracts	382		382		382
Fair value through other comprehensive income	57,008		60,131	837	60,968
Measured at amortized cost	1,876,611	55,356	1,671,642	207,328	1,934,326
Total financial assets	3,871,984	1,989,649	1,732,696	211,365	3,933,710

30.6.2024	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	42,929		42,929		42,929
Measured at amortized cost	3,686,661	796,970	2,988,590		3,785,560
Total financial liabilities	3,729,590	796,970	3,031,519		3,828,489

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

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 2024	4,000
Capital return	-800
Carrying amount 30 June 2024	3,200

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

Fair value through other comprehensive income	
Carrying amount 1 January 2024	809
Sales	
Changes in value recognised in comprehensive income statement	28
Carrying amount 30 June 2024	837

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

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

30.6.2024	Carrying amount	Effect of hypothetical changes	
(EUR 1,000)		Positive	Negative
At fair value through profit or loss	3,200	3,680	2,720
Fair value through other comprehensive income	837	962	711

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 12: COLLATERALS

(EUR 1,000)	30.6.2024	31.12.2023
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Securities	78,850	93,729
Other	42,620	42,260
Collateral given	121,470	135,989
Collateral received		
Securities	19,434	35,201
Collateral received	19,434	35,201

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

NOTE 13: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2024	31.12.2023
Loan commitments	269,182	255,921
Other*	361,300	312,300
Off balance-sheet commitments	630,482	568,221

* 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 14: 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.

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.

Central Bank
of Savings Banks

Company reg. no.: 2238752-5 | Postal/visiting address: Teollisuuskatu 33, 00510 Helsinki | Registered office: Helsinki | Home state: Finland

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