CENTRAL BANK OF SAVINGS BANKS FINLAND PLC'S

BOARD OF DIRECTORS' REPORT AND IFRS FINANCIAL STATEMENTS

31.12.2024

Central Bank of Savings Banks

Translation of Central Bank of Savings Banks Finland Plc's financial statement 2024

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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 for the member Savings Banks (hereinafter also "Savings Banks") of the Amalgamation also on account management services, payment card issuing services, 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 2024, the focus of SB Central Bank's business was on offering high-quality services and the further development of services.

SB Central Bank's profit for the financial year was EUR 3,1 million, and the balance sheet total amounted to EUR 3,6 billion.

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, as well as the subsidiaries and associated companies owned jointly by the banks.

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 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, Savings Bank Services Ltd as well as Sp-Fund Management Company Ltd. The scope of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes entities other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Ltd.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

The global economy

The global economy was relatively stable in 2024 and global economic growth is expected to settle at around 3%, although it will take some time before official GDP figures are known. This implies growth slightly below the long-term average and roughly in line with the previous year.

Given the turbulence in the world around us, the development of global economy can be considered surprisingly stable. The war in Ukraine continues, the situation in the Middle East is explosive, a new president was elected in the United States, the threat of a trade war is looming and major governments fell in Europe.

Globally, inflation continued to ease and many countries are already close to central bank inflation targets. This allowed central banks to cut interest rates, which was seen on several occasions in Europe, the United States and China.

Things were naturally bubbling beneath the big surface of economy, and development was quite different in different regions. The US economy once again surprised on the upside and growth there continued to be strong. Annual growth is expected to settle at just under 3%. Economic growth in Europe, on the other hand, was very sluggish and growth is expected to remain below 1%. The German economy in particular, and the industrial sector overall, performed poorly. Contrary to what we are accustomed to, the strongest drivers of the euro area economy were to be found in service-driven southern Europe.

In terms of economic development, China also underperformed, and in autumn 2024, the country introduced various stimulus measures, which slightly boosted growth prospects towards the end of the year. Overall, growth is expected to settle at just under 5%, which is still a rather enviable figure from a Western point of view.

The interest rate environment

In the first half of 2024, short-term interest rates in the euro area fluctuated within a relatively narrow range 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 trended slightly upward since the turn of the year, as the expectations of rapid interest rate cuts evaporated.

In the second half of the year, the situation changed substantially with the ECB interest rate cuts and, in particular, strong market expectations of rate cuts. The 12-month Euribor fell by more than one percentage point in the second half of the year and the 5-year swap rate by almost one percentage point.

The overall interest rate environment in 2024 has been relatively favourable for banking activities, although the decline in reference rates in the second half of the year will continue to have a negative impact on interest margins.

The future development of interest rates is not straightforward or clear. In principle, the weakening economic development and the fact that the ECB is likely to reach its 2% inflation target earlier than expected will allow room for further interest rate cuts, but at the same time, geopolitical tensions, trade policy factors and service sector inflation could change the situation.

Investment markets

From the perspective of the investment markets, the year 2024 was positive as a whole. Corporate earnings growth was good, especially in the United States. Share prices in the technology sector rose strongly during the year and the stock market as a whole outperformed the other main markets. European equity returns were also above long-term average returns. Finnish equity returns remained low and well below other markets. Falling interest rates supported fixed income returns and in the corporate bond market credit risk margins remained low despite rising defaults. Geopolitical tensions and concerns about a slowdown in global trade due to rising tariffs made headlines, especially in the last quarter following the US presidential election. This had an impact on emerging market investments, whose returns fell in the last quarter. Overall, investor confidence remained strong throughout the year, with good investment returns in both fixed income and equity markets.

The Finnish economy

The Finnish economy entered a recession towards the end of 2023. In 2024, however, the economy recovered and, at least in the first three quarters of the year, the economy grew quarter by quarter. 2024 can therefore be called a year of emerging recovery. However, growth was still rather modest.

After some challenging years, the economic situation of Finnish consumers has started to improve: purchasing power has picked up, price rises have eased and falling interest rates are benefiting indebted households. This was also reflected in the Savings Banks' Savings Barometer, which showed that the financial distress experienced by households decreased from the previous year. However, the situation on the labour market was disappointing, with development weaker than expected, especially towards the end of the year. This contributed to keeping consumer confidence below average.

Finnish business confidence also started to improve in 2024, albeit rather cautiously. There are significant differences between industries. The year remained difficult for the construction industry, although a budding recovery was also seen in business confidence in the construction sector. The service sector fared better. The manufacturing industry suffered from the weakness of the overall global industrial cycle.

The number of bankruptcies continued to rise in 2024, with the highest numbers in the construction industry and trade.

SB CENTRAL BANK'S BUSINESS ACTIVITIES

SB Central Bank is responsible for providing various centralised services to Savings Banks. Its most significant operations include refinancing and liquidity management of the member credit institutions of the Savings Banks Amalgamation, asset and liability management services, account management, payment card issuing services and granting unsecured consumer credit to Savings Banks' customers, and payment intermediation for Savings Banks.

Treasury

In 2024, the Treasury operations focused on optimising the Savings Banks Group's liquidity position and further expanding the Group's debt investor relations.

Asset and liability management services

During the year, projects related to the system environment and data management continued, regulatory changes were introduced, and support was provided to the credit institutions of the Amalgamation in managing interest rate and liquidity risks.

Payment card issuing services and unsecured consumer credit

SB Central Bank's card and unsecured consumer credit business volumes developed positively in 2024. A notable development in the card business in 2024 was the launch of a corporate credit card. The Business Credit card complements the range of corporate cards and specifically addresses the needs of small entrepreneurs.

Payment intermediation

During 2024, development of processes and functionalities was continued, including real-time payments, and several functionalities and changes required by regulation were implemented.

Securities services / account management operations

In 2024, a number of measures were taken in securities services to support the development and growth of the services and regulatory development. At the same time, the development of the business area has been promoted with a focus on improving process efficiency and continuous development of services.

SB CENTRAL BANK'S PROFIT AND BALANCE SHEET

KEY PERFORMANCE INDICATORS

(EUR 1,000)	12/2024	12/2023	12/2022
Net interest income	20,298	31,234	17,990
Operating profit	3,095	18,333	7,106
Total operating revenue	33,417	43,560	28,585
Total operating expenses	-27,873	-23,889	-20,633
Profit	2,523	14,396	5,663
Cost to income ratio	83.4%	54.8%	72.2%
Total assets	3,595,452	3,387,747	3,421,948
Total equity	133,874	130,223	116,024
Return on equity %	1.9%	11.7%	5.7%
Return on assets %	0.1%	0.4%	0.2%
Equity/assets ratio %	3.7%	3.8%	3.4%
Solvency ratio %	46.3%	43.9%	41.4%
Impairment losses on loans and other receivables	-2,449	-1,338	-846
Number of employees converted to FTEs	50	46	39
Average number of FTEs during the financial year	52	48	46

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1–12/2023)

SB Central Bank's operating profit was EUR 3.1 (18.3) million and net profit for the year was EUR 2.5 (14.4) million.

INCOME

Our total operating revenue was EUR 33.4 (43.6) million.

Net interest income decreased to EUR 20.3 (31.2) million as interest income developed positively to EUR 162.2 (123.1) million, while interest expenses increased to EUR -141.9 (-91.9) million. The increase in interest income was due to higher interest income on both lending and liquid cash balances. The increase in interest expenses was due to higher funding costs. Interest rate swaps used to hedge interest rate risk accounted for EUR -7.7 (-6.7) million of the net interest income.

Net fee and commission income amounted to EUR 6.9 (6.8) million. Fee and commission income amounted to EUR 28.5 (25.5) million, while fee and commission expenses were EUR -21.6 (-18.7) million.

Net trading income was EUR 0.8 (0.8) million, of which the net profit from hedge accounting was EUR 0.5 (0,8) million. Net trading income also includes the distribution paid on the yield unit of the reserve (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 5.4 (4.7) million and consisted mainly of service charges from the Central Institution of the Amalgamation and contractual revenues from the credit card association.

EXPENSES

Total operating expenses before impairment losses of financial assets amounted to EUR -27.9 (-23.9) million.

Personnel expenses were EUR -5.5 (-4.7) million. Other operating expenses increased by EUR 2.7 million and amounted to EUR -19.2 (-17.2) million. The increase in other operating expenses was due to higher costs of development activities and continuous services.

Depreciation totalled EUR -2.5 (-2.0) million.

Net impairment loss on financial assets increased EUR 1.1 million to EUR -2.4 (-1.3) million. The development of impairment losses was mainly due to an increase in expected credit losses, while there was no significant change in actual credit losses.

BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2023)

The balance sheet of SB Central Bank totalled EUR 3,595 (3,388) million.

Funding and deposits

The total nominal value of bonds issued by SB Central Bank was EUR 1,150.9 million. New long-term unsecured bonds under the EMTN programme with a nominal value of EUR 473.4 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 1,885 (1,503) million at the end of the period and consisted mainly of short-term deposits of the Amalgamation banks to LCR and current accounts and minimum reserve deposits intermediated by SB Central Bank. The item includes money market deposits from non-affiliated banks of EUR 250 (350) million.

Liabilities to customers totalled EUR 324 (659) million and consisted mainly of money market deposits from foreign corporations and public entities.

Lending

Loans and advances to credit institutions totalled EUR 1,781 (1,659) million at the end of the period. This line item consists mainly of the balance sheet loans granted to other Savings Banks in the Amalgamation and to Sp Mortgage Bank Plc (1,476 million in total). The line item also contains the minimum reserve deposit of the Amalgamation and cash guarantees provided as collateral to other banking groups.

Loans and advances to customers totalled EUR 163 (149) million and consisted mainly of credit card and unsecured consumer credit product balances. At the end of the period, the interest-bearing card portfolio totalled EUR 94 (83) million and the unsecured consumer credit loan balance was EUR 45 (39) million. Non-performing credit receivables in retail customer lending represented 2.96% (1.93%) of the total balances at year-end.

Investment assets

SB Central Bank's investment assets totalled EUR 131 (105) million and consisted mainly of ECB eligible debt securities 55.3 (EUR million) and government debt securities EUR 49.2 million. Other debt securities in the balance sheet totalled EUR 21.6 million at the end of the period. SB Central Bank had also invested in non-listed funds with a total value of EUR 3.6 million and non-listed equities with a total value of EUR 1.0 million.

Shareholdings and equity

SB Central Bank is fully owned by the Savings Banks of the Amalgamation. 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 31 December 2024 was EUR 134 (130) million, consisting wholly of CET1 capital.

CAPITAL ADEQUACY AND RISK POSITION

Capital adequacy management (comparison information 31 December 2023)

SB Central Bank has defined a capital adequacy management process aimed at ensuring the adequacy of the bank's risk-bearing capacity in relation to all material risks of its business operations. In order to achieve this objective, SB Central Bank identifies and assesses the risks associated with its operations in a comprehensive manner and ensures that its risk-bearing capacity is proportionate to the sum of the risks to which SB Central Bank is exposed. The internal capital requirements determined through the capital adequacy management process are based on Pillar I capital requirements and non-Pillar I risks, 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 is also sufficient to cover unexpected losses arising from non-Pillar I risks.

In line with its strategy, SB Central Bank provides various central credit institution services: payment transaction services and for the Savings banks it provides also account management services, payment card issuing services and unsecured consumer loans, liquidity management, refinancing and asset and liability management services. The bank focuses on operating only in these business areas to keep its risks inherent in its operations manageable.

The Board of Directors of the bank has the overall responsibility for capital adequacy management. The Board of Directors approves the basis, objectives and principles of capital adequacy management. Moreover, it confirms the general requirements for the measurement and assessment of capital adequacy and the general principles for the organisation of 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 monitored on a consolidated basis 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 test

As part of the capital adequacy management process, SB Central Bank uses stress tests to assess its own risk position and the adequacy of its capital. Stress tests are used to assess how various exceptionally severe but possible scenarios can affect performance, capital adequacy and capital headroom. Stress tests are designed to identify the key risks to SB Central Bank and assess how vulnerable the structure of the Bank is in relation to the occurrence of those risks.

The objective of the capital adequacy management process is also to maintain and develop a high-quality 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 could jeopardise the bank's capital adequacy. The capital contingency plan includes target levels and monitoring thresholds set by the Board of Directors for the quantity and quality of capital, which are monitored quarterly. The capital contingency plan describes the actions to be taken by the operative 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 used to calculate the capital requirement for the credit risk of the Bank. The capital requirement for 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. SB Central Bank has no foreign exchange position.

OWN FUNDS AND CAPITAL ADEQUACY

SB Central Bank's own funds totalled EUR 124.4 (118.7) million, while the aggregate capital requirement was EUR 28.2 (28.4) million. Common Equity Tier 1 capital (CET1) consisted fully of Tier 1 capital, amounting to EUR 124.4 (118.7) million.

SB Central Bank's capital adequacy ratio was high, standing at 46.3% (43.9%) 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%.

The capital requirement of SB Central Bank is formed by:

- minimum requirement for the capital adequacy ratio (8%) under the Capital Requirements Regulation (CRR),
- 2.5% CET1 capital add-on according to the Act on Credit Institutions,
- the country-specific variable CET1 capital add-ons of foreign exposures.

The discretionary 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 variable capital add-on, which may range from 0 to 2.5% of the total 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 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 Part 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 for the credit risk of the Savings Banks Amalgamation. 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 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.

SB Central Bank publishes the relevant information with regard to capital adequacy calculation annually as part of its Board of Directors' Report and Notes to the Financial Statements. Key capital adequacy data are published in the half-year report.

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

CAPITAL ADEQUACY

Own funds (EUR 1,000)	**31.12.2024**	**31.12.2023**
Common Equity Tier (CET1) capital before regulatory adjustments	133,874	130,223
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-9,505	-11,543
Common Equity Tier (CET1) capital	124,370	118,680
Tier 1 capital (T1 = CET1 + AT1) total	124,370	118,680
Total Capital (TC = T1 + T2)	124,370	118,680
Risk weighted assets	268,426	270,101
of which: credit and counterparty risk	193,843	200,340
of which: credit valuation adjustments (CVA)	8,595	11794
of which: market risk	-	-
of which: operational risk	65,988	57,967
Minimum total capital requirement	21,474	21,608
Excess total capital	102,895	97,072
Common Equity Tier 1 (as percentage of total risk exposure amount)	46.3%	43.9%
Tier 1 (as a percentage of total risk exposure amount)	46.3%	43.9%
Total capital (as a percentage of total risk exposure amount)	46.3%	43.9%
Capital requirement		
Total capital	124,370	118,680
Capital requirement total*	28,193	28,368
Capital buffer	96,177	90,313

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

LEVERAGE RATIO

The leverage ratio of SB Central Bank was 6.4% (6.1%), above the binding minimum requirement of 3%. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 capital by its total exposure measure.

The most significant part of the total exposures of the SB Central Bank consists of intra-group items, which are treated with a 0% risk weight in the capital adequacy calculation and are not included in the total exposures when calculating the leverage ratio. The bank monitorsthe level of indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	31.12.2024	31.12.2023
Tier 1 capital	124,370	118,680
Total exposure measure (TEM)	1,938,966	1,954,416
Leverage ratio	6.4%	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 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 to 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 exposure amount or 5.92% of the total exposures, whichever is higher.

In addition to the requirement calculated on the basis of total risk exposure, 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 and capital adequacy has remained strong.

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.

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 scale and complexity of operations, as well as a sufficient degree of liquidity and capitalisation based on profitable business operations.

Principles and organisation of risk management

Risk management is defined as the identification, assessment, quantification, limitation and monitoring of risks arising from and inherent to the business operations. The purpose of risk management is to minimise the likelihood of unforeseen losses or threats to the reputation of the controlled entity and thereby 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 line with its strategy, SB Central Bank provides various central credit institution services: payment transaction services and for the Savings banks it provides also account management services, payment card issuing services and unsecured consumer loans, liquidity management, refinancing and asset and liability management services. SB Central Bank does not have any customer or investment portfolio risk concentrations that are excessive in relation to its financial capacity, nor does SB Central Bank take such risks 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 the possibility that a counterparty may not meet its contractual obligations. The main source of credit risk is lending, but counterparty risk can also arise from other types of receivables, such as bonds, short-term debt securities and derivative contracts, as well as off-balance sheet commitments such as unused credit facilities and limits and guarantees.

Concentration risk means that the total amount of credit granted by SB Central Bank to a single customer and/or a group of customers may not exceed the maximum amounts set out in the Act on Credit Institutions, other legislation or the regulations and guidelines issued by the Financial Supervisory Authority or other supervisory authorities. The concentration risks posed by a single counterparty are regulated by limits and guidelines on maximum customer exposure both at the Amalgamation level and at the member credit institution level.

The business and risk management strategies approved by the Board of Directors of SB Central Bank set limits on risk concentrations and guide investment and lending policies.

Liquidity risk

Liquidity risk is the risk that the bank will not be able to meet its present or future expected and unexpected cash flows at all or without materially damaging the bank's financial position. Liquidity risk may be further divided into short-term liquidity risk and long-term funding risk.

Short-term liquidity risk is managed e.g. by maintaining sufficient liquid assets to ensure 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 performance and own funds. SB Central Bank was exposed to market risk in the form of interest rate and currency risk in the reporting period 2024, 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 adjust its interest rate risk position. SB Central Bank monitors interest rate risk both with the net present value method and the income risk method.

Currency risk

Currency risk refers to the impact of changes in foreign exchange rates on performance or equity. SB Central Bank is exposed to currency risk to a minor extent due to the Visa Inc shares in the investment portfolio, resulting from Visa membership. Open foreign exchange position is not allowed in the deposit or liquidity portfolios of the member credit institutions of the Savings Banks Amalgamation. Foreign exchange position is monitored in accordance with the method used in capital adequacy calculation (the capital requirement is calculated if the total net foreign exchange position exceeds 2 percentage points of the total amount of own funds).

Operational risk

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

SB Central Bank identifies and documents operational risks associated with products, services, operations, processes, and systems. Identifying operational risks helps determine their monitoring and controls. Part of the losses caused by operational risks are covered by insurance. In addition, continuity plans help prepare for major disruptions to operations. Operational risks and actual losses and near misses are regularly reported to the operational management of SB Central Bank.

Business risk

Business risk describes the impact of uncertainties caused by the operating environment on the 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 the strategic and business plans of the Board of Directors of SB Central Bank. An assessment of business risks is included in the Internal Capital Adequacy Assessment Process (ICAAP) approved by the Board.

CREDIT RATING

On 6 December 2024, S&P Global Ratings confirmed the long-term credit rating of SB Central Bank 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 statements, distribution of the profits, discharge from liability, and election of Board members. Decisions on SB Central Bank's business operations and strategic matters are made by the Board of Directors of SB Central Bank. In addition, the Board of Directors is responsible for taking decisions on the most important matters relating to SB Central Bank's business operations and for appointing the Managing Director of SB Central Bank. The Board is also responsible for ensuring that SB Central Bank has comprehensive and appropriately organised accounting, accounting policies and financial reporting for all its operations. In addition, the Board is responsible for ensuring that SB Central Bank has adequate and appropriately organised internal control, internal audit and auditing. The work of the Board of Directors is based on established guidelines and the rules of procedure for the Board of Directors. The Managing Director of SB Central Bank manages the day-to-day administration of SB Central Bank in accordance with guidelines from the Board of Directors.

The independence and integrity of the Board members and Managing Director are verified in accordance with the directions issued by the Financial Supervisory Authority. Upon appointment and on an annual basis, the Board members and Managing Director are obliged to declare the entities with which they are involved. In addition, on accepting their position, each Board member and the Managing Director must submit a fitness and propriety report, as stipulated by the Financial Supervisory Authority.

SB CENTRAL BANK'S MANAGEMENT AND PERSONNEL

The Annual General Meeting of SB Central Bank was held on 14 March 2024. The Board's proposal on the distribution of profits was approved. The Meeting also granted discharge to the Board members and the Managing Director and elected a new Board of Directors.

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

Name	**Position**
Mangs Monika	member, Chairman, until 14 March 2024
Alameri Karri	member, Chairman from 14 March 2024 and until 1 October 2024
Rouhe Samu	member, Deputy Chairman from 14 March 2024 and Chairman from 29 October 2024
Siviranta Petri	member, until 14 March 2024
Öhman Ossi	member, Deputy Chairman until 14 March 2024 and from 29 October 2024
Alarautalahti Toivo	member, from 14 March 2024
Westerholm Fredrik	member, from 14 March 2024

The members of the Board of Directors are executives in the financial sector. During the financial year, the Board convened seventeen (17) times. Monika Mangs, Chief Executive Officer of Närpiön Säästöpankki Oy, chaired the Board of Directors of SB Central Bank until the Annual General Meeting on 14 March 2024, while the Deputy Chairman was Ossi Öhman, Chief Executive Officer of Säästöpankki Kalanti-Pyhäranta. The composition of the Board of Directors changed at the Annual General Meeting and at the Board's organisational meeting Karri Alameri, Managing Director of the Savings Banks' Union Coop, was elected as the new Chairman and Samu Rouhe, Chief Executive Officer of Länsi-Uudenmaan Säästöpankki Oy, as the new Deputy Chairman. Karri Alameri, Chairman of the Board, resigned from his position as Managing Director of the Savings Banks' Union Coop and chairmanship of the Board of SB Central Bank on 1 October 2024, after which Deputy Chairman Samu Rouhe chaired the Board. The Board of Directors of SB Central Bank was reconstituted on 29 October 2024 and Samu Rouhe, Chief Executive Officer of Länsi-Uudenmaan Säästöpankki Oy, was elected Chairman. Ossi Öhman, Chief Executive Officer of Säästöpankki Kalanti-Pyhäranta, was elected Deputy Chairman.

SB Central Bank's Managing Director during the financial year was Kai Brander and Mervi Luurila was Deputy Managing Director. 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 in line with service production and development projects. Converted into total resources, the number of personnel at the end of the period on 31 December 2024 was 56.

REMUNERATION

SB Central Bank's remuneration policy 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 policy for operative 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 of chapter 8 of the Act on Credit Institutions to those recipients of remuneration 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 recipient's total fixed remuneration.

Remuneration policy refers to the decisions, agreements, principles and procedures which are complied with in the remuneration of the management and personnel. The remuneration policy includes both the remuneration method and the processes related to its development and implementation. The remuneration policy is developed actively and on a long-term basis in order to secure the Amalgamation's competitiveness, good financial development, incentives, commitment and the availability of new competent personnel. SB Central Bank sees the remuneration policy as a comprehensive package to support the motivation and job satisfaction of personnel. It is used to steer activities towards common goals. The remuneration policy includes financial remuneration components as well as other forms of remuneration, such as the maintenance and development of professional competence.

The remuneration policy 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 in operations that would exceed the risk level that is determined on the basis of the risk-bearing capacity or that is otherwise sustainable.

The General Meeting held on 14 March 2024 decided on the remuneration* of the Board of Directors as follows:

annual remuneration, Chairman, EUR 8,000
annual remuneration, Deputy Chairman, EUR 3,500
annual remuneration, member, EUR 1,800
attendance allowance, EUR 600**

* Remuneration is also paid to persons employed by the Savings Banks Centre.

** Attendance allowance is paid for each ordinary meeting of the Board (excluding decisions taken without a meeting).

The terms of employment and benefits of the Managing Director are approved by the Board of Directors of SB Central Bank. SB Central Bank has a remuneration policy in place under which personnel, including the Managing Director, may be paid a sum equivalent to up to four months' salary for reaching set targets. The Bank has no pension schemes or any other similar arrangements.

SB Central Bank has identified persons who may affect the Bank's risk profile or whose activities may expose SB Central Bank to significant financial risk. The personnel group affecting the risk profile of SB Central Bank includes the Managing Director and others involved in operational management and decision-making, as well as personnel in independent functions.

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

Pillar III remuneration disclosures are published in the Savings Banks Group's financial statements. The financial statements are available online on the Savings Banks Group's website at www.saastopankki.fi.

MAIN OUTSOURCED FUNCTIONS

The banking system of SB Central Bank is 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 held equally by Savings Banks' Union Coop and three other banking groups. 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 Group and the sustainability report published annually by the Savings Banks Group. We want to act in an ethically sustainable manner, observing the principles of good corporate governance, openness and the Savings Banks Group's Code of Conduct. 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, the regulations issued by the authorities, the principles of good banking practice and trading guidelines approved by Finance Finland, as well as the Savings Banks Group's principles for reliable management and internal control and 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 materially influence the financial position of SB Central Bank for the period after the completion of the financial statements.

OUTLOOK FOR THE YEAR 2025

Outlook for the operational environment

The growth outlook for 2025 is stable, but still rather sluggish. The OECD, for example, expects the global economy to grow at the same pace as last year, by around 3%. In the United States, growth is expected to slow but remain at a good level. In Europe, the growth outlook is improving slightly as interest rates fall, but the level is still quite modest. In China, growth is slowing structurally. The threat of a trade war has increased with the election of Donald Trump. Trump's actions are not yet certain, but in the long run, various global trade barriers will undermine growth prospects and increase uncertainty.

In Finland, economic growth is expected to pick up in 2025. Lower interest rates will benefit Finland's interest-sensitive economy. Private consumption is expected to pick up as purchasing power increases. However, the sluggish labour market will keep consumers cautious in the early part of the year, so private consumption growth will remain subdued. As the economy picks up, the labour market will gradually improve as the year progresses.

Business investment is also expected to recover gradually. While many uncertainties continue to keep businesses cautious, the downturn of interests is expected to stimulate investment demand. The plight of the construction sector should also gradually start to ease.

Business outlook

The basic outlook for business operations is stable in all areas of the Bank's operations. However, falling interest rates create challenges for the net interest income.

The main focus of operations is to support and secure the implementation of the Savings Banks Group's strategy.

SB Central Bank's result is expected to deteriorate in 2025 as net interest income decreases.

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

SB Central Bank's distributable funds amount to EUR 29,652,875.10.

The Board of Directors of SB Central Bank proposes to the Annual General Meeting that the profit for the financial year of EUR 2,523,217.08 be recognised in retained earnings and that no dividend be distributed.

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

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

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2016. An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the IFRS framework. Alternative Performance Measures are used to reflect financial development and enhance comparability between different reporting periods.

SB Central Bank uses alternative performance measures (APMs) in its financial reporting to describe the financial position of the entity. These measures are not defined in IFRS standards, capital adequacy regulations (CRD/CRR), or Solvency II regulations (SII). The presented alternative performance measures complement the main financial statements and accompanying notes prepared in accordance with IFRS standards.

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

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, depreciation and impairment losses on property, plant and equipment and intangible assets

Cost to income ratio:

$$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$$

Return on equity (ROE), %:

$$\frac{\text{Profit}}{\text{Equity (average of beginning and end of year)}} \times 100$$

Return on assets (ROA), %:

$$\frac{\text{Profit}}{\text{Total assets (average of beginning and end of year)}} \times 100$$

Equity/assets ratio, %:

$$\frac{\text{Equity}}{\text{Total assets}} \times 100$$

Solvency ratio, %:

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

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC: IFRS FINANCIAL STATEMENTS

INCOME STATEMENT

(EUR 1,000)	Note	1–12/2024	1–12/2023
Interest income		162,206	123,123
Interest expense		-141,908	-91,889
Net interest income	6	20,298	31,234
Net fee and commission income	7	6,864	6,804
Net trading income	8	830	839
Other operating revenue	9	5,425	4,684
Total operating revenue		33,417	43,560
Personnel expenses	10	-5,464	-4,713
Other operating expenses	9	-19,900	-17,150
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	16	-2,509	-2,026
Total operating expenses		-27,873	-23,889
Net impairment loss on financial assets	11	-2,449	-1,338
Operating profit		3,095	18,333
Income tax expense	18	-572	-3,938
Profit		2,523	14,396

STATEMENTS OF COMPREHENSIVE INCOME

(EUR 1,000)	1–12/2024	1–12/2023
Profit	2,523	14,396
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	1,410	-1,741
Deferred tax from fair value measurements	-282	348
Total	1,128	-1,393
Total comprehensive income	3,651	14,199

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

(EUR 1,000)	Note	31.12.2024	31.12.2023
Assets			
Cash and cash equivalents	20	1,463,658	1,424,785
Loans and advances to credit institutions	11	1,781,472	1,624,576
Loans and advances to customers	11	163,294	148,911
Derivatives	14	281	847
Investment assets	11	130,712	105,040
Property, plant and equipment	16	80	108
Intangible assets	16	9,241	11,284
Tax assets	18	4,457	1,129
Other assets	19	42,256	71,067
Total assets		3,595,452	3,387,747

(EUR 1,000)	Note	31.12.2024	31.12.2023
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	12	1,885,048	1,503,452
Liabilities to customers	12	323,630	659,027
Derivatives	14	35,447	40,691
Debt securities issued	12	1,175,046	989,491
Tax liabilities	18	200	3,752
Other liabilities	19	42,207	61,110
Total liabilities		3,461,578	3,257,523
Equity			
Share capital		94,812	94,812
Reserves		19,169	18,041
Retained earnings		19,893	17,370
Total equity	17	133,874	130,223
Total liabilities and equity		3,595,452	3,387,747

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

(EUR 1,000)	1–12/2024	1–12/2023
Cash flows from operating activities		
Profit	2,523	14,396
Adjustments for items without cash flow effect	4,428	6,095
Change in deferred tax	-7	-150
Cash flows from operating activities before changes in assets and liabilities	6,944	20,341
Increase (-) or decrease (+) in operating assets	-159,796	256,425
Loans and advances to credit institutions	-147,016	301,412
Loans and advances to customers	-16,449	-9,174
Investment assets, at fair value through other comprehensive income	-5,746	1,448
Investment assets, at amortized cost	-18,942	1,715
Investment assets, fair value through profit or loss	429	-800
Other assets	27,927	-38,177
Increase (-) or decrease (+) in operating liabilities	209,807	-50,837
Liabilities to credit institutions	382,879	-251,123
Liabilities to customers	179,469	96,338
Debt securities issued	-335,396	84,995
Other liabilities	-17,144	18,954
Paid income taxes	-7,735	-1,493
Total cash flows from operating activities	49,221	224,437

(EUR 1,000)	1–12/2024	1–12/2023
Cash flows from investing activities		
Decrease in investments in equity and shares		
Investments in property, plant and equipment and intangible assets	-439	-4,925
Disposals of investment property and property, plant and equipment and intangible assets		45
Total cash flows from investing activities	-439	-4,880
Cash flows from financing activities		
Increase in share capital		
Total cash flows from financing activities		
Change in cash and cash equivalents	48,782	219,557
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	1,481,624	1,432,843
Cash and cash equivalents comprise the following items:		
Cash	1,463,658	1,424,785
Receivables from central banks repayable on demand	17,963	8,057
Total cash and cash equivalents	1,481,621	1,432,843
Adjustments for items without cash flow effect		
Impairment losses on financial assets	2,595	1,617
Changes in fair value	-512	-840
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,509	2,026
Income taxes	-165	3,292
Total Adjustments for items without cash flow effect	4,428	6,095
Interest received	160,910	109,745
Interest paid	143,766	69,837
Dividends received	415	

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 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
Transactions with owners						
Subscription issue						
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					2,523	2,523
Other comprehensive income			1,128	1,128		1,128
Total comprehensive income			1,128	1,128	2,523	3,651
Transactions with owners						
Total equity 31 December 2024	94,812	19,000	169	19,169	19,893	133,874

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 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 services and for the member Savings Banks (hereinafter also “Savings Banks”) of the Amalgamation also on payment card issuing services, consumer lending to private customers, 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.

2.1 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.

2.2 FINANCIAL INSTRUMENTS

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.

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.

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.

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.

Impairment

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.

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.

Hedging and derivatives

SB Central Bank hedges its interest rate risk from changes in fair value and applies hedge accounting for the hedge relationships.

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.

2.3 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.

2.4 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.

2.5 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.

2.6 NEW IFRS STANDARDS AND INTERPRETATIONS

SB Central bank has applied, from the beginning of 2024, the following new 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.

New and amended standards applied in the financial year ended

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

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

Classification of Liabilities as Current and Non-current – Amendments to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2024)

The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements. The amendments also clarify transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognized as equity under IAS 32.

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)

The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

2.7 NEW AND AMENDED STANDARDS APPLICABLE IN FUTURE FINANCIAL PERIODS

New and amended IFRS Accounting Standards issued but not yet effective

SB Central Bank has not yet applied the following new or revised standards and interpretations already published by the IASB. SB Central Bank will adopt them from the effective date of each standard and interpretation, or if the effective date is other than the first day of the financial year, from the beginning of the financial year following the effective date.

* = not yet endorsed for use by the European Union as of 31 December 2024

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 application is permitted)

The amendments require to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 January 2026, early application is permitted)

The amendments clarify that an entity is required to apply settlement date accounting when derecognising a financial asset or a financial liability; and to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met. The amendments clarify the application guidance for assessing the contractual cash flow characteristics of financial assets, including financial assets with contractual terms that could change the timing or amount of contractual cash flows, for example, those with environmental, social and governance (ESG)-linked features, financial assets with non-recourse features and financial assets that are contractually linked instruments.

Annual Improvements to IFRS Accounting Standards – Volume 11* (effective for financial years beginning on or after 1 January 2026, early application is permitted)

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter
- IFRS 7 Financial Instruments: Disclosures – Gain or loss on derecognition; Disclosure of differences between the fair value and the transaction price; Disclosures on credit risk
- IFRS 9 Financial Instruments –Derecognition of lease liabilities; Transaction price
- IFRS 10 Consolidated Financial Statements – Determination of a 'de facto agent'
- IAS 7 Statement of Cash Flows – Cost Method

IFRS 18 Presentation and Disclosure in Financial Statements* (effective for financial years beginning on or after 1 January 2027, early application is permitted)

IFRS 18 will replace IAS 1 Presentation of Financial Statements. The key new requirements are as follows:

- Income and expenses in the income statement to be classified into three new defined categories – operating, investing and financing – and two new subtotals – "Operating profit or loss" and "Profit or loss before financing and income tax".
- Disclosures about management-defined performance measures (MPMs) in the financial statements. MPMs are subtotals of income and expenses used in public communications to communicate management's view of the company's financial performance.
- Disclosure of information based on enhanced general requirements on aggregation and disaggregation. In addition, specific requirements to disaggregate certain expenses, in the notes, will be required for companies that present operating expenses by function in the income statement.

IFRS 19 Subsidiaries without Public Accountability: Disclosures* (effective for financial years beginning on or after 1 January 2027, early application is permitted)

The new standard permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. It will enable subsidiaries to keep only one set of accounting records to meet the needs of both their parent company and the users for their financial statements and reduce disclosure requirements.

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

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

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.

DETERMINATION OF EXPECTED CREDIT LOSS

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.

FAIR VALUE MEASUREMENTS

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 the possibility that a counterparty may not meet its contractual obligations causing a financial loss to the other counterparty. 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.

The credit decisions regarding unsecured lending to Savings Banks Group's strategic partners are made by the Board of SB Central Bank.

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.

SB Central Bank can have investments in debt instruments, both those acceptable as collateral for central bank funding and others, in accordance with the counterparty limits 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 loan that meets at least one of the following criteria is classified as a non-performing exposure: the loan is classified as insolvent, the loan is in ECL stage 3 or the loan has a non-performing forborne exposure

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:

	31.12.2024				Percentage of total	
Description	**Phase 1**	**Phase 2**	**Phase 3**	**Total**	**31.12.2024**	**31.12.2023**
1 – Excellent	106,094,482	2,092,019	0	108,186,501	66.5%	70.8%
2 – Good	6,740,880	97,897	0	6,838,777	4.2%	3.6%
3 – Good	16,879,937	670,752	0	17,550,689	10.8%	9.6%
4 – Average	9,318,519	729,566	0	10,048,085	6.2%	6.1%
5 – Average	2,581,987	408,543	0	2,990,530	1.8%	2.0%
6 – Weak	4,082,834	829,919	0	4,912,752	3.0%	2.4%
7 – Overdues, non-impaired	1,037,207	880,458	0	1,917,664	1.2%	1.3%
8 – Overdues, non-impaired	576,766	3,488,430	0	4,065,197	2.5%	2.1%
9 – Overdues, non-impaired	191,334	1,001,316	0	1,192,651	0.7%	0.5%
D – Impaired	0	0	5,093,922	5,093,922	3.1%	1.7%
Total	147,503,946	10,198,900	5,093,922	162,796,768	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)	**2024**				
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Cash and cash equivalents	1,463,658				1,463,658
Loans and advances to credit institutions	342,403	586,800	740,500	112,000	1,781,703
Loans and advances to customers	156,794		6,000	500	163,294
Investment assets	13,000	55,000	59,699	3,469	131,168
Total	1,975,856	641,800	806,199	115,969	3,539,823
Off balance-sheet commitments	-104,800	-190,200	295,000		

Financial liabilities (EUR 1,000)	**2024**				
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Liabilities to credit institutions	95,000	121,500	740,000	252,400	1,208,900
Liabilities to customers	27,462	302,169			329,631
Debt securities issued	998,142	75,000	312,500	499,770	1,885,412
Total	1,120,604	498,669	1,052,500	752,170	3,423,944

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
Off balance-sheet commitments	-92,500	-202,800	295,300		

Rahoitusvelat (EUR 1,000)	**2023**				
	under 3 months	**3–12 months**	**1–5 years**	**over 5 years**	**Total**
Liabilities to credit institutions	113,000	239,000	443,500	234,000	1,029,500
Liabilities to customers	99,476	537,000	22,550		659,027
Debt securities issued	825,618	130,000	487,500		1,443,118
Total	1,038,095	906,000	953,550	234,000	3,131,645

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)	31.12.2024		31.12.2023	
Period	**Down**	**Up**	**Down**	**Up**
Change, 12–24 months	-1,907	1,892	-5,004	4,928
Change, next 12 months	-296	386	-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. Central Bank of Savings Banks does not have an exchange position.

Own funds and capital adequacy

SB Central Bank's own funds totalled EUR 124.4 (118.7) million, while the aggregate capital requirement was EUR 28.2 (28.4) million. The Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital amounting to EUR 124.4 (118.7) million.

SB Central Bank's capital adequacy ratio was high, standing at 46.3 (43.9) per cent. 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%.

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%. 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.

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.

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.

CAPITAL ADEQUACY

Own funds (EUR 1,000)	**31.12.2024**	**31.12.2023**
Common Equity Tier (CET1) capital before regulatory adjustments	133,874	130,223
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-9,505	-11,543
Common Equity Tier (CET1) capital	124,370	118,680
Tier 1 capital (T1 = CET1 + AT1) total	124,370	118,680
Total Capital (TC = T1 + T2)	124,370	118,680
Risk weighted assets	268,426	270,101
of which: credit and counterparty risk	193,843	200,340
of which: credit valuation adjustments (CVA)	8,595	11794
of which: market risk	-	-
of which: operational risk	65,988	57,967
Minimum total capital requirement	21,474	21,608
Excess total capital	102,895	97,072
Common Equity Tier 1 (as percentage of total risk exposure amount)	46.3	43.9
Tier 1 (as a percentage of total risk exposure amount)	46.3	43.9
Total capital (as a percentage of total risk exposure amount)	46.3	43.9
Capital requirement		
Total capital	124,370	118,680
Capital requirement total*	28,193	28,368
Capital buffer	96,177	90,313

* 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 6.4 (6.1) %, exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The most significant part of 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 the level of indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	31.12.2024	31.12.2023
Tier 1 capital	124,370	118,680
Leverage ratio exposure	1,938,966	1,954,416
Leverage ratio	6.4%	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 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, 17 April 2024. The requirement does not apply to the member credit institutions or to 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 exposure amount or 5.92% of the total exposures, whichever is higher.

In addition to the requirement calculated on the basis of total risk exposure, 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)	1–12/2024	1–12/2023
Interest income		
From financial assets at amortised cost		
Debt securities eligible for refinancing with Central Bank	1,516	594
Loans and advances to credit institutions	130,569	103,795
Loans and advances to customers*	17,462	14,352
Debt securities from corporates	447	
Other**	356	931
Total	150,350	119,671
From financial assets at fair value through other comprehensive income		
Debt securities eligible for refinancing with Central Bank	2,630	1,697
Debt securities	4	4
Total	2,634	1,701
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	9,221	1,751
Total	9,221	1,751
Total interest income	162,206	123,123

(EUR 1,000)	1–12/2024	1–12/2023
Interest expense		
Financial liabilities at amortised cost		
Liabilities/debosits to credit institutions	-62,297	-40,719
Liabilities to customers	-19,125	-18,275
Debt securities issued	-43,588	-24,468
Other interest expenses	1	-1
Total	-125,010	-83,463
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-16,898	-8,426
Total	-16,898	-8,426
Total interest expenses	-141,908	-91,889
Net interest income	20,298	31,234
* of which interest income from loans in stage 3	110	79
** is made up of interest charges and limit commission based on account agreements.		

NOTE 7: NET FEE 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)	1–12/2024	1–12/2023
Fee and commission income		
Lending*	18,632	17,252
Payment transfers	7,862	6,794
Securities	1,601	1,214
Other	357	282
Total	28,452	25,542
Fee and commission expense		
Payment transfers	-3,696	-3,610
Securities	-571	-539
Other**	-17,321	-14,590
Total	-21,588	-18,739
Net fee and commission income	6,864	6,804

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

(EUR 1,000)	1–12/2024	1–12/2023
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 foreign exchange operation	-1	-1
Net income from hedge accounting		
Change in hedging instruments' fair value	5,314	14,303
Change in hedged items' fair value	-4,803	-13,464
Capital gains, securities	104	
Total	830	839

NOTE 9: OTHER INCOME AND EXPENSES

9.1 OTHER OPERATING REVENUE

(EUR 1,000)	1–12/2024	1–12/2023
Other income from Banking*	5,425	4,684
Other operating revenue	5,425	4,684

* 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)	1–12/2024	1–12/2023
Other administrative expenses		
Other personnel expenses	-398	-270
Office expenses	-12,915	-8,754
ICT expenses	-3,847	-5,118
Telecommunications	-669	-592
Representation expenses		
Marketing	-15	-68
Other operating expenses	-3	-6
Total	-17,848	-14,809
Other operating expenses		
Rental expenses	-361	-372
Expenses arising from owner-occupied property	-13	-13
Other operating expenses*	-1,679	-1,957
Total	-2,053	-2,341
Other operating expenses	-19,900	-17,150
*** Audit fees**		
Statutory audit	-34	-41
Audit related services	-19	
Other services	-12	-28
Total	-65	-69

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 treat-ment 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)	1–12/2024	1–12/2023
Wages and salaries	-4,519	-3,871
Pension expenses		
Defined contribution plans	-798	-678
Other personnel related costs	-147	-165
Personnel expenses	-5,464	-4,713
Full-time	51	50
Permanent, part-time	1	
Temporary, part-time	4	1
Total	56	51
Number of employees converted to FTEs	50	46
Average number of FTEs during the financial year	52	48

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 in-surance 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 signifi-cant 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

31.12.2024 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	129,104	-3	129,103
Loans and other receivables	1,652,603	-231	1,652,369
Total	1,781,706	-234	1,781,472
Loans and advances to customers			
By product			
Used overdrafts	45,673	-970	44,703
Loans	500		500
Credit cards	116,219	-4,126	112,092
Other receivables	6,000	-1	5,999
Total	168,392	-5,098	163,294
Loans and advances total	1,950,098	-5,332	1,944,766

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	1,776,941	-3,454	1,773,487

11.2 INVESTMENT ASSETS

(EUR 1,000)	31.12.2024	31.12.2023
At fair value through other comprehensive income		
Debt securities	59,044	52,125
Shares and participations	1,038	809
Total	60,082	52,934
Fair value through profit or loss		
Shares and participations	3,571	4,000
Total	3,571	4,000
Amortized cost investments		
Debt securities	67,080	48,138
Expected Credit Losses	-22	-32
Total	67,059	48,106
Investment assets	130,712	105,040

BREAKDOWN BY ISSUER OF QUOTATION

2024 (EUR 1,000)	Measured at fair value through other comprehensive income	Fair value through profit or loss	Measured at amortized cost	Total
Quoted	59,044		49,196	108,241
Other	1,038	3,571	17,862	22,471
Total	60,082	3,571	67,059	130,712

2023 (EUR 1,000)	Measured at fair value through other comprehen-sive 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

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 2024				
Investment assets	77,168			77,168
Loans and advances to credit institutions	1,726,716			1,726,716
Loans and advances to customers	147,523	10,223	5,094	162,840
Off-balance sheet items	270,275	14,787	72	285,134
Total	2,221,681	25,010	5,166	2,251,857

(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 or stage 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 transitions from stages 3 to 2 and 2 to 1 is three months.

The tables below present the development of the expected credit losses from the begining of the financial period.

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2024	403	472	2,431	3,306
Transfers to Stage 1	68	-126		-58
Transfers to Stage 2	-172	807	-23	613
Transfers to Stage 3	-1	-452	2,656	2,204
New assets originated or purchased	118	3	515	636
Assets derecognised or repaid	-33	-49	-805	-887
Amounts written off			-731	-731
Amounts recovered			163	163
Change in credit risk without change in Stage	62	25	10	97
Change in model for calculation of ECL	-80	-88	-12	-179
Net change in ECL	-37	120	1,774	1,856
Expected Credit Losses 31 December 2024	366	593	4,204	5,163

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2024	313			313
New assets originated or purchased	82			82
Assets derecognised or repaid (excluding write offs)	-48			-48
Amounts written off				
Net change in ECL	34			34
Expected Credit Losses 31 December 2024	347			347

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSETS

(EUR 1,000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected Credit Losses 1 January 2024	108			108
Transfers to Stage 1				
Transfers to Stage 2				
Transfers to Stage 3				
New assets originated or purchased	1			1
Assets derecognised or repaid				
Change in credit risk without change in Stage	-11			-11
Net change in ECL	-9			-9
Expected Credit Losses 31 December 2024	98			98
Expected Credit Losses 31 December 2024 total				5,608
Net change in ECL 1.1.–31.12.2024: loans and advances, off-balanse sheet and investment assets				1,880

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 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 (excluding write offs)	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 total	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 total	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
Amounts written off	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

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 mainly 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 contractual interest rate is used as hte effective 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%	2.0% / 8.0%	-10.0% / 12.0%	-3.0% / 8.0%
- Change in GDP	-1.8% / 1.5%	0.5% / 2.5%	1.2% / 1.5%
- Investments	-6.0% / 0.0%	1.0% / 6.0%	2.0% / 3.0%

EFFECT OF CHANGES IN THE ECL MODEL

Changes in the LGD models

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 12: FUNDING

12.1 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2024	31.12.2023
Liabilities to credit institutions		
Liabilities to central banks		68,000
Liabilities to credit institutions	1,885,048	1,435,452
Total	1,885,048	1,503,452
Liabilities to customers		
Deposits	6,092	6,057
Other financial liabilities*	317,538	652,969
Total	323,630	659,027
Liabilities to credit institutions and customers	2,208,678	2,162,479

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

12.2 DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2024	
Measured at amortized cost	**Nominal value**	**Book value**
Bonds	1,150,900	1,117,911
Other		
Certificates of deposit	58,000	57,135
Debt securities issued	1,208,900	1,175,046
Of which		
Variable interest rate	735,000	703,732
Fixed interest rate	473,900	471,314
Total	1,208,900	1,175,046

(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 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 lilibities by balance items broken down into measurement categories for continuing operations.

31.12.2024 (EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Total
Cash and cash equivalents			1 463 658	1 463 658
Loans and advances to credit institutions	1,781,472			1,781,472
Loans and advances to customers	162,794		500	163,294
Derivatives				
fair value			281	281
Investment assets	67,059	60,082	3,571	130,712
Total assets	2,011,325	60,082	1,468,010	3,539,417
Liabilities to credit institutions	1,885,048			1,885,048
Liabilities to customers	323,630			323,630
Derivatives				
fair value			35,447	35,447
Debt securities issued	1,175,046			1,175,046
Total liabilities	3,383,724		35,447	3,419,171

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	1,429,633	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

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.

31.12.2024				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	Financial instruments received as collateral	Cash held/ received as collateral	Net amount
Assets							
Derivative contracts	6,431	-1,795	4,635	-4,431		-189	16
Variation Margin	291	-291					
Total	6,721	-2,086	4,635	-4,431		-189	16
Liabilities							
Derivative contracts	39,590	-881	38,709	-4,431		-33,997	281
Variation Margin	1,204	-1,204					
Total	40,794	-2,086	38,709	-4,431		-33,997	281

*Cash received as collateral in the balance sheet was 260 thousand euros, and cash given as collateral in the balance sheet was 41.221 thousan euros. Over-collateralization has not been taken into account in the table.

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	Financial instruments received as collateral	Cash held/ received as collateral	Net amount
Assets							
Derivative contracts	2,582	-50	2,532	-2,532			
Reverse repurchase agreements	29,959		29,959		-29,959		
Total	32,541	-50	32,491	-2,532	-29,959		
Liability							
Derivative contracts	44,392	-14	44,378	-2,532		-40,835	1,010
Variation Margin	36	-36					
Total	44,428	-50	44,378	-2,532		-40,835	1,010

*Financial instruments received as collateral in the balance sheet was 35.498 thousand euros, and cash given as collateral in the balance sheet was 42.318 thousand euros. Over-collateralization has not been taken into account in the table.

NOTE 14: DERIVATES AND HEDGE ACCOUNTING

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

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

31.12.2024	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	10,000	80,000	240,000	330,000	267	959
Total	10,000	80,000	240,000	330,000	267	959
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	100,000	30,000	181,400	311,400	14	34,488
Total	100,000	30,000	181,400	311,400	14	34,488

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 100,000 thousand EUR and total fair value of 100,000 thousand EUR. The fair value adjustment resulting from hedge calculation dor the balance sheet item subject to hedging was 625 thousand decreasing the book value.

Fixed rate issued bonds designated as exposures in fair value hedging groups have total nominal value of EUR 211,400 thousand and total fair value of EUR 210,332 thousand. The fair value adjustment resulting from hedge calculation dor the balance sheet item subject to hedging was 30,332 thousand decreasing the book value.

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

NOTE 15: FAIR VALUE 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.

31.12.2024	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	1,467,729	1,463,663	524	3,571	1,467,758
Derivative contracts	281		281		281
Fair value through other comprehensive income	60,082		63,053	1,038	64,091
Measured at amortized cost	2,011,325	129,368	1,735,476	218,744	2,083,588
Total financial assets	3,539,417	1,593,032	1,799,334	223,353	3,615,718

31.12.2024	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	35,447		35,447		35,447
Measured at amortized cost	3,383,724	829,235	2,569,497		3,398,732
Total financial liabilities	3,419,171	829,235	2,604,944		3,434,179

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
Return of capital	-429
Carrying amount 31 December 2024	3,571

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
Changes in value recognised in comprehensive income statement	-309
Carrying amount 31 December 2024	500

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

31.12.2024	Carrying amount	Effect of hypothetical changes	
(EUR 1,000)		Positive	Negative
At fair value through profit or loss	3,571	4,106	3,035
Fair value through other comprehensive income	500	575	425

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 licenses.

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)	31.12.2024	31.12.2023
Intangible rights	6,272	4,089
Intangible assets under development	2,968	7,194
Intangible assets	9,241	11,284

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

31.12.2024 (EUR 1,000) Changes in intangible assets	Intangible rights	Intangible assets under development	Total
Acquisition cost 1 January	12,894	7,194	20,088
Increases	4,665		4,665
Decreases		-4,226	-4,226
Acquisition cost 31 December	17,559	2,968	20,527
Accumulated depreciation and impairments 1 January	-8,804		-8,804
Depreciation for the financial year	-2,482		-2,482
Accumulated depreciation and impairments 31 December	-11,286		-11,286
Carrying amount 31 December	6,272	2,968	9,241

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
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

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)	31.12.2024	31.12.2023
Machinery and equipment	80	108
Other tangible assets		
Property, plant and equipment	80	108

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.

31.12.2024 (EUR 1,000) Changes in property, plant and equipment	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January	292	72	364
Increases			
Decreases			
Acquisition cost 31 December	292	72	364
Accumulated depreciation and impairments 1 January	-185	-72	-257
Depreciation for the financial year	-27		-27
Accumulated depreciation and impairments 31 December	-212	-72	-284
Carrying amount 31 December	80	0	80

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

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)	2024	2023
Expense relating to short-term leases	36	43
Total	36	43

NOTE 17: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2024	31.12.2023
Share capital	94,812	94,812
Reserves		
Reserve for invested non-restricted equity	19,000	19,000
Fair value reserve	169	-959
Retained earnings		
Profit (loss) for previous financial years	17,370	2,975
Profit (loss) for the financial year	2,523	14,396
Total equity	133,874	130,223

Specification of changes in fair value reserve	2024	2023
Fair value reserve 1 January	-959	434
Profit/loss from fair value measurements, shares	230	-994
Profit/loss from fair value measurements, debt securities	1,174	-746
Deferred tax from fair value measurements	-282	348
Expected credit losses from debt securities, fair value through other comprehensive income	6	-1
Fair value reserve 31 December	169	-959

Share capital

Includes the 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)	1–12/2024	1–12/2023
Current tax	-548	-4,056
Tax for prior years	-31	-31
Change in deferred tax assets	7	150
Income taxes	-572	-3,938

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)	1–12/2024	1–12/2023
Accounting profit before taxes	3,095	18,333
Differences between accounting and taxable profit	357	1,945
Taxable profit	2,738	20,279
Tax using the domestic corporation tax rate	-619	-3,667
Tax-exempt income	79	
Non-deductible expenses	-7	-159
Unrecognised deductible expenses	7	159
Unrecognised taxable income		-239
Tax for prior years	-31	-31
Tax expense	-572	-3,938
Corporate income tax rate	20%	20%

18.2 DEFERRED TAXES

(EUR 1,000)	31.12.2024	31.12.2023
Deferred tax assets	918	1,129
Tax assets	918	1,129
Deferred tax liabilities	200	135
Tax liability	200	135

(EUR 1,000)	31.12.2024	31.12.2023
Deferred tax assets		
Impairment	752	746
Financial assets	157	375
Intangible assets	9	9
Total	918	1,129

(EUR 1,000)	31.12.2024	31.12.2023
Deferred tax liabilities		
Financial assets	200	135
Total	200	135

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)	1.1.2024	Change recognised in profit or loss	Financial assets	31.12.2024
Deferred tax assets				
Impairment	746	7		752
Financial assets	375		-218	157
Intangible assets	9			9
Total	1,129	7	-218	918

(EUR 1,000)	1.1.2024	Change recognised in profit or loss	Financial assets	31.12.2024
Deferred tax liabilities				
Financial assets	135		65	200
Total	135		65	200

(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

NOTE 19: OTHER ASSETS, LIABILITIES AND PROVISIONS

19.1 OTHER ASSETS

(EUR 1,000)	31.12.2024	31.12.2023
Accrued income and prepaid expenses	30,725	29,030
Interest	23,693	22,323
Other accrued income and prepaid expenses	7,032	6,707
Other	11,532	42,037
Other assets	42,256	71,067

19.2 PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2024	31.12.2023
Other liabilities	9,890	27,722
Accrued expenses	32,198	33,277
Interest payable	26,121	27,904
Interest advances received		
Other accrued expenses	6,076	5,372
Provisions	119	111
Other provisions*	119	111
Other liabilities	42,207	61,110

* 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)	31.12.2024	31.12.2023
Receivables from central banks repayable on demand	1,463,658	1,424,785
Cash and cash equivalents	1,463,658	1,424,785

OTHER NOTES

NOTE 21: COLLATERALS

(EUR 1,000)	31.12.2024	31.12.2023
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Securities		93,729
Other	41,221	42,318
Collateral given	41,221	136,047
Collateral received		
Securities		35,201
Other	260	
Collateral received	260	35,201

Collateral given and held are related to participating in ECB funding operations and margin deposits related to derivatives. The change in security collaterals is related to ending of TLTRO III operation in December 2024.

NOTE 22: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2024	31.12.2023
Guarantees		
Loan commitments	285,707	255,921
Other*	330,000	312,300
Off balance-sheet commitments	615,707	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 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)	**2024**	**2023**
Short-term employee benefits	280	274
Total	280	274

2023	**Salary and remuneration**	**Statutory pension expenses**
Brander Kai, CEO	240	42
Mangs Monika, Chairman of the Board of Directors until 14.3.2024	3	
Alarautalahti Toivo, member of the Board of Directors, from 14.3.2024	5	
Alameri Karri, member of the Board of Directors, Chairman of the Board of Directors from 14.3.2024 until 1.10.2024	8	
Siviranta Petri, member of the Board of Directors until 14.3.2024	3	
Rouhe Samu, member of the Board of Directors, Vice-Chairman of the Board of Directros from 14.3.2024 and Chairman of the board from 29.10.2024	12	
Öhman Ossi, Vice-Chairman of the Board of Directors until 14.3.2024 and from 29.10.2024	10	
Total	280	42

2023	**Salary and remuneration**	**Statutory pension expenses**
Brander Kai, CEO	239	42
Mangs Monika, 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

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.

SIGNATURES OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT

CONFIRMATION OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

We confirm that

- the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the laws and regulations governing the preparation of financial statements in Finland give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

In Helsinki, February 11, 2025.

Samu Rouhe, Chairman

Ossi Öhman, Deputy Chairman

Toivo Alarautalahti, member of the Board

Fredrik Westerholm, member of the Board

Kai Brander, Managing Director

AUDITOR'S NOTE

The report on the completed audit has been issued today.

In Helsinki, February 11, 2025.

KPMG Oy Ab

Mikko Kylliäinen

Authorised Public Accountant

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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, 2024. 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 10 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 compliance with the applicable provisions.

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 compliance with the applicable provisions.

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, 11 February 2025

KPMG OY AB

MIKKO KYLLIÄINEN
Authorised Public Accountant, KHT

Central Bank
of Savings Banks

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