CENTRAL BANK OF SAVINGS BANKS FINLAND PLC

ANNUAL REPORT 1 JANUARY 2015 – 31 DECEMBER 2015

ANNUAL REPORT 2015

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BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2015

Central Bank of Savings Banks Finland Plc (hereinafter SB Central Bank) is a bank owned by Finnish Savings Banks. SB Central Bank is also part of the Savings Banks Amalgamation. SB Central Bank provides savings banks with various centralized services: payment services to all savings banks, debit and credit card issuance as well as unsecured consumer credits to the private customers of the Savings Banks belonging to the Group (hereinafter also Savings Banks). SB Central Bank is also responsible for services related to raising funding and refinancing for the member banks of Amalgamation. SB Central Bank's form of the company was changed from a limited company to a public limited company 30th January 2015.

During the financial year, SB Central Bank continued the maintenance and development of the centralized services, in accordance with its strategy. Treasury services provided for the Savings Banks Amalgamation have been expanded extensively. This expansion was promoted by the international credit rating from Standard & Poor's Rating Services (S&P) in April, as well as the first Euro Medium Term Note (EMTN) programme, completed in April, which is listed on the Irish Stock Exchange. An inaugural five-year senior unsecured EUR 500 million benchmark bond was issued and private placement transactions amounting to EUR 170 were made under the programme. The purchasing of the credit card related credit portfolio from Nets Ltd and the issue of the Savings Banks Group's own payment cards, starting in December 2015, constituted an important part of the development of the services.

SB Central Bank's profit for the financial year was EUR 339 thousand, and the balance sheet total amounted to EUR 1,548 million.

The Savings Banks' Group and Amalgamation of Savings Banks

The Savings Banks Group (hereinafter Group) is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the central institution and the subsidiaries and associated companies owned by Savings Banks. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers. The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The service and product companies within the Group support and promote the operations of the Group via producing centralized services or having responsibility for certain products. The most significant service and product companies of the Group are Central Bank of Savings Banks Finland Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd and Sp Koti Ltd.

SB Central Bank belongs to the Savings Banks Amalgamation, the institutions belonging to which form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments.The Amalgamation comprises the Savings Banks' Union Coop, which acts as the central institution of the Amalgamation, 23 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd, as well as the companies within the consolidation groups of the abovementioned entities. SB Central Bank's principal owners are the 23 Savings Banks of the Amalgamation, plus one Savings Bank outside the Amalgamation.

Additional information on the structure of the Group is available at the website www.saastopankki.fi/saastopankkiryhma.

Description of the operational environment

Economic situation in Finland and the global economic outlook

In 2015, economic growth continued to be slow in Europe. The decline in emerging economies, China in particular, also had a negative impact on the economic outlook in Europe. The realised inflation in the euro zone and the inflation expectations remained at a low level throughout the year, which, for its part, increased the pressures on the European Central Bank. ECB increased stimulating measures in its monetary policy and attempted to create the prerequisites for lending growth and growth of the real economy in the euro zone.

With regard to the growth outlook, divergence between the United States and the rest of the world could still be distinguished. In the United States, positive development continued in the labour market in 2015. The speed of economic growth is providing the Federal Reserve with an opportunity to increase its key interest rate. In Europe, recovery from the financial crisis has been considerably more sluggish, with unemployment rates remaining high. The economic growth in the euro zone has not as yet reached the level preceding the financial crisis. In addition, there are significant differences between countries within the euro zone.

Finland's economic situation continued to be challenging, and Finland lagged behind the other euro countries in economic growth. No rapid fall in the Finnish unemployment rate can be expected in 2016, and private consumption and the real earnings of households will remain at the level of 2015. In the future, the key for the situation in Finland is productivity improvement measures and the renewal of the labour market structure and contract legislation. Due to the rate at which the Finnish public economy is becoming indebted and to the slowdown of structural reforms, the Finnish credit rating may be downgraded in 2016.

The slowdown of the world trade weakened the outlook for the export industry, but the euro exchange rate in relation to other trade currencies ultimately did not weaken at the rate that was expected in early 2015. Finnish exports of goods declined significantly in 2015, and any rapid change for the better cannot be expected this year either. Nevertheless, the stimulating monetary policy of the ECB and growing investments in the euro zone create the prerequisites for gradual growth of

Finnish industrial production. Investments in Finland, however, are growing slowly due to the uncertainties in the economy. In 2016, one risk factor is the negative impact of any labour conflicts on the national economy and industrial production. However, measures aimed at improving our competitiveness are necessary for the recovery of the economy.

Due to the slow growth in the euro area, stimulating monetary policy and low inflation, interest rates will remain low. The strong fall in raw material prices and moderate increases in salaries will continue to keep the inflation expectations low in Finland.

Despite the slowdown in the global economy, 2015 was a good year for the stock market in Europe and the United States. The year was good in the European corporate loan markets, because investors' demand supported the returns on corporate loans. In 2016, the low interest rates and the moderate recovery of the global economy will support both the stock and corporate loan markets. The divergence of the euro zone and the United States regarding the direction of the monetary policy will increase interest differences and weaken the value of the euro in relation to the United States dollar.

Housing market in Finland

In the housing market, 2015 was a considerably more uniform year than the two preceding years, and the fluctuations within the year were also more normal. As a whole, the housing market turned to an increase of approximately three per cent, which meant that a total of approximately 57,000 housing and property deals were made in 2015.

No major changes took place in housing prices in 2015, if we examine the market in large volumes. However, the divergence of markets continued strong. This means that housing prices continued to decline in recessive markets subject to population loss. Large growth centres and vital urban areas in developing cities continued to be the winners. The selling periods also remained at the level of the previous year, the average being approximately 70 days.

In 2015, the most significant positive drivers for the housing trade were affordable loans and the improvement of their availability, as well as the slight recovery in consumer confidence. On the other hand, the general employment trend and the continuously low volume of construction present challenges to the future of the housing market. In 2016, the housing market is expected to grow by a total of 2–5 per cent and prices to increase by 1–2 per cent throughout the country. However, regional differences will increase further.

SB Central Bank's business activities

SB Central Bank is responsible for producing centralized services for savings banks. During the financial year, the operations focused on the management of the Amalgamation's refinancing needs and liquidity, the launching of the card business and the production of clearing and settlement services for payment transactions.Treasury ja rahoitus

In 2015, the main focus of Treasury operations was on ensuring the functionality of the refinancing from capital markets of the Amalgamation banks and enabling long-term financing. This was implemented through the EMTN programme and the credit rating received from S&P. The implementation of the Treasury system serving the asset and liability as well as liquidity management of the entire Amalgamation, started in 2014, was continued during 2015. In addition, Advisory operations were expanded, particularly in the areas of liquidity risk and Liquidity Coverage ratio (LCR).

The Board of Directors of Savings Banks' Union Coop has proposed the establishment of a mortgage bank for Savings Banks belonging to the Savings Banks Amalgamation. The authorisation application was submitted to the Financial Supervisory Authority in December 2015. The goal of the mortgage bank, Sp Mortgage Bank, is to issue euro-denominated, mortgage-secured covered bonds (CB). SB Central Bank has participated in the creation of the Sp Mortgage Bank being established and will provide financing for it once its operations commence.

Issuing of payment cards and credit card portfolio

SB Central Bank has been issuing Savings Banks Group's Visa payment cards since 1 December 2015. In the same connection, SB Central Bank purchased the credit portfolio of the clients of the Savings Banks Group from Nets Ltd, which had previously issued the credit cards. The transfer of the issuance of payment cards and the purchase of the credit portfolio progressed as planned, and the changes did not cause disruptions in the services provided to Savings Banks or their customers.

Payments

Payment services in 2015 focused on stabilising and further developing the payment processes of savings banks after the start of the centralized services implemented in November 2014. SB Central Bank transmitted over 40 million SEPA payments in 2015 (in 2014 the corresponding number of transactions was less than 10 million).

Financial position

Financial highlights

(1 000 euros)	12/2015	12/2014
Revenue	16 088	4 888
Net interest income	-205	154
% of revenue	-1.3%	3.1%
Operating profit	-942	104
% of revenue	-5.9%	2.1%
Total operating revenue	5 105	4 360
Total operating expenses (excluding depreciations)	-5 616	-4 013
Cost to income ratio	1,1	1,0
Total assets	1 547 912	714 067
Total equity	46 643	46 306
Return on equity %	0.7%	0.2%
Return on assets %	0.0%	0.0%
Equity/assets ratio %	3.0%	6.5%
Solvency ratio %	40.9%	145.6%
Impairment losses on loans and other receivables	-61	0
Number of employees converted to FTEs	21	20
Average number of FTEs during the financial year	21	17

Profit trends (comparison figures 1–12/2014)

SB Central Bank's operating profit for the financial year was EUR -942 thousand, or -5.9% of revenue (EUR 104 thousand and 2.1%, respectively, in the comparison period 1–12/2014). The considerable expansion of SB Central Bank's operations during the financial year in refinancing and card business should be taken into account when comparing the figures for the review and comparison periods. The development of SB Central Bank's operations, particularly the card business and treasury services, continued throughout the review period, which held back the result.

SB Central Bank's operating revenue amounted to EUR 5,115 thousand. Net interest income amounted to EUR -205 (154) thousand. Interest income was EUR 8,521 (496) thousand, of which interest income from credit institutions constituted the most significant proportion in 2015. Interest expenses amounted to EUR 8,716 (342) thousand. Interest expenses consisted mainly of liabilities to credit institutions and interest paid on debt securities issued. Interest rate risk was mitigated during the financial year through fair value hedging. This improved net interest income by EUR 957 thousand. Net interest income was still held back by low interest rates and the negative interest rate on central bank deposits.

Net fee and commission income amounted to EUR 2,474 (718) thousand. This amount consisted of EUR 4,741 (903) thousand in revenues and EUR 2,267 (185) thousand in expenses. Fee and commission income from payment transactions and the card business launched in the latter part of the year were the most important fee and commission income items in 2015.

Net profit from the hedge accounting initiated during the financial year was EUR -154 thousand. It is presented under Net trading income on the income statement.

Other operating income, EUR 2,990 (3,489) thousand, consists mainly of payments received from Amalgamation banks relating to new services implemented during the financial year.

SB Central Bank's operating expenses in the financial year amounted to EUR 5,986 (4,256) thousand. Personnel expenses consisted of salaries, as well as pension expenses and other personnel expenses. These expenses totalled EUR 2,144 (1,915) thousand. Other administration expenses amounted to EUR 1,640 (1,279) thousand. Other expenses, EUR 2,202 (1,062) thousand, consisted of depreciation and amortisation of property, plant and equipment and intangible assets, amounting to EUR 370 (243) thousand, and other operating expenses. During the financial year, impairments and credit losses recognised on a collective basis amounted to EUR 61 thousand. The cost to income ratio was 1.1 (1.0). The increase in expenses was mainly due to SB Central Bank's investment in development and the deployment of new services.

SB Central Bank's income taxes amounted to EUR 1,282 (-24) thousand. The positive tax effect (tax revenue) is explained by deferred tax that was recognised for earlier losses. Early in 2015, the tax administration granted SB Central Bank the right to deduct losses.

Balance sheet and financing (comparison figures 31 December 2014)

SB Central Bank's balance sheet once again saw significant growth, standing at EUR 1,548 (714) million. The main contributors to this were the debt securities issued, amounting to EUR 771 (13) million at the end of the financial year, and the purchasing of the credit card-related credit portfolio from Nets Ltd in December. At the end of the financial year, card credits granted amounted to EUR 82 million, constituting the most significant proportion of loans and advances to customers.

In addition to the cash liquidity reserve, EUR 527 (514) million, SB Central Bank's assets are mainly invested in ECB eligible debt instruments, EUR 58 (55) million. As a result of issuing a bond, the amount of loans granted to Savings Banks increased, amounting to EUR 820 (126) million.

At the end of April, SB Central Bank issued the first long-term senior unsecured EUR 500 million benchmark bond, maturing in May 2020. The bond was issued under the new Euro Medium Term Note (EMTN) programme, and it is listed on the Irish Stock Exchange. In addition to the bond, SB Central Bank has issued private placement bonds.

Liabilities to customers consisted mainly of deposits from companies, amounting to EUR 20 (0.7) million at year-end.

At the end of December, SB Central Bank had EUR 793 (0) thousand in defaulted credit card receivables. A total of EUR 33 (0) thousand in impairments were recognised on a collective basis. Irrevocable commitments made to clients, included in off-balance sheet liabilities, amounted to EUR 173,871 (3) thousand at the end of the financial year and consisted of granted undrawn credits.

Shareholdings and equity

SB Central Bank holds 17,391 shares in total, and the bank's share capital is EUR 39,999,618.60. The bank holds no own shares.

Equity capital on 31 December 2015 stood at EUR 47 (46) million and is completely included in CET1 capital. The change in equity is due to the profit for the period (profit after tax). Return on equity was 0.7% (0.2%). Return on assets remained at 0.0% for both the financial year and the comparison period.

Capital adequacy and risk position

Capital adequacy (comparative information 31 December 2014)

SB Central Bank has drawn up a capital adequacy management process, the aim of which is to ensure the bank's risk-bearing capacity is sufficient in relation to all the main risks in its operation. SB Central Bank identifies and comprehensively assesses the risks inherent in its operation and matches its risk-bearing capacity to the total sum of SB Central Bank's exposures. To ensure its capital adequacy, SB Central Bank sets risk-based capital targets and draws up a capital plan in order to reach the targets. An additional aim of the capital adequacy management process is to maintain and develop the risk management procedure.

Equity and capital adequacy

SB Central Bank's capital adequacy is strong and in line with the 8% minimum level requirement and the capital conservation and countercyclical capital buffers. The capital conservation buffer, 2.5%, and countercyclical capital buffer were imposed at the beginning of 2015. When necessary, the authorities may set the countercyclical capital buffer to 0–2.5%. In 2015, no countercyclical capital buffer was set.

The key risk barometers for SB Central Bank's capital planning are capital adequacy in accordance with the Act on Credit Institutions and the internal monitoring limit in the risk buffer set for the equity capital over and above the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

In its capital adequacy calculation, SB Central Bank applies the standard method of credit risk calculation and the basic method in calculating operational risk. SB Central Bank has published the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Interim Report issued half-yearly.

SB Central Bank's own funds totaled EUR 44.9 (44.9) million, while the minimum requirement for own funds was EUR 11.5 (2.5) million. The Tier 1 capital consisted wholly of Common Equity Tier 1 (CET1) capital, amounting to EUR 44.8 million. The capital reserves consist mostly of common equity tier 1 capital.

SB Central Bank's capital adequacy ratio was high, standing at 40.9 per cent at year-end. The high capital adequacy figure is due to the exemption granted to the Amalgamation by the Financial Supervisory Authority, according to which the risk weight applied to the Amalgamation's internal financing items in capital adequacy calculation is 0%.

SB Central Bank's capital adequacy information is included in the consolidated financial statements of the Savings Banks Amalgamation. The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 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). The Savings Banks Group publishes the so-called Pillar III capital adequacy information in its financial statements. The Savings Banks Group's financial statements are available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

Capital Adequacy

Own Funds (1 000 euros)	2015	2014
Common Equity Tier 1 (CET1) capital before regulatory adjustments	46 643	46 306
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1 742	-1 490
Common Equity Tier 1 (CET1) capital	44 902	44 816
Tier 1 capital (T1 = CET1 + AT1)	44 902	44 816
Tier 2 (T2) capital before regulatory adjustments	-	66
Total regulatory adjustments to Tier 2 (T2) capital	-	0
Tier 2 (T2) capital	-	66
Total capital (TC = T1 + T2)	44 902	44 882
RISK WEIGHTED ASSETS		
Credit and counterparty risk	101 177	26 289
Items in balance sheet	73 013	23 774
Off balance-sheet commitments	27 714	2 515
Derivative contracts	450	-
Credit valuation adjustment (CVA)	1 996	-
Market risk	-	-
Currency risk	-	-
Operational risk	6 526	4 501
Risk-weighted assets total	109 699	30 790
Minimum standard of Own funds	11 518	2 463
Amount which exceeds minimum standard of Own funds	33 383	42 419
Common Equity Tier 1 (as a percentage of total risk exposure amount)	40.9	145.6
Tier 1 (as a percentage of total risk exposure amount)	40.9	145.6
Total capital (as a percentage of total risk exposure amount)	40.9	145.8

Leverage ratio

The leverage ratio of SB Central Bank was 2.7%. The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Bank's Tier 1 capital to total liability.

(1 000 euros)	2015	2014
Tier 1 capital	44 902	44 816
Total liability	1 661 573	671 532
Leverage ratio	2.7	6.7

Risk management

Objective of risk management

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its operation. The risk-bearing capacity comprises adequate and effective risk management based on the scale and demands of the operation, as well as a sufficient degree of liquidity and capitalization 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 caused by business activities and closely related risks. The purpose of risk management is to reduce the probability of unanticipated losses or threats to the subject's reputation and thus ensure the implementation of group strategy. Risk and solvency management are part of internal control. SB Central Bank has a risk management function that is independent of business operations.

In accordance with its strategy, SB Central Bank provides savings banks with various centralized services, such as payment services, funding for the Amalgamation Banks and card issuance as well as unsecured consumer credits to the private customers of the Savings Banks. SB Central Bank does not have excessively large client or investment exposures 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 a safe level.

In its operations in 2015, SB Central Bank was exposed to credit, market and operational risks, as well as business and liquidity risks.

Credit and counterparty risks

Credit risk refers to a situation where a counterparty is unable to fulfil its commitments as agreed. The main source of credit risk is lending, but credit risks (counterparty risk) may also arise from other types of assets, such as bank deposits, securities in investment portfolio and derivative contracts, as well as off balance-sheet liabilities, such as undrawn credit facilities and limits as well as granted guarantees.

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

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

Liquidity risk

Liquidity risk refers to a bank's ability to fulfil its commitments. Liquidity risk may arise from the lack of control and/or predictability of incoming and outgoing cash flows. An uncontrolled rise of refinancing cost may also be defined as liquidity risk. Liquidity risk can be more precisely divided into short-term liquidity risk and long-term refinancing risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid assets to guarantee liquidity. SB Central Bank's liquidity remained good throughout 2015.

The credit rating the bank received from S&P opened foreign financing channels, and thus expanded the financing opportunities considerably. The credit rating together with the EMTN programme enabled public issuances targeted mainly overseas and private placement transactions. The EUR 500 million long-term bond issuance executed at the turn of April and May as well as private placement transactions executed afterwards, have enabled growth in refinancing and extension of maturity, as well as expansion of funding base for the banks belonging to the Amalgamation. At the same time, the LCR ratio has been strengthened through issues by allocating part of the issue to the increase of liquid assets. SB Central Bank's LCR-ratio was 99.9 % on the 31st of December 2015 and 121.8% respectively in the comparison period.

Market risk

Market risk refers to the impact of changes in interests and market prices on the bank's income statement and equity. Of the market risks, SB Central Bank was only exposed to interest rate risk in the reporting period 2015, 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. In May 2015 SB Central Bank introduced hedge accounting as the fixed-rate bond issued by the bank, was swapped to floating-rate using an interest rate swap agreement. SB Central Bank monitors interest rate risk both with present value method and income risk method.

Operational risk

Operational risks refer to a threat of loss caused by inadequate or failed internal processes, personnel, systems, or external factors. Judicial risks are also included in operational risks.

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

Business risk

Business risks are described as the effects of uncertainties arising from the business environment. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in profit margins. Business risks may also arise from selecting the wrong strategy, inadequate management, or slow reaction to changes in the operational environment. Business risk is managed and minimized through strategy and business plans drawn up by the SB Central Bank Board of Directors. An assessment of business risks is included in the capital management plan approved by the Board.

Internal control

The purpose of internal control at SB Central Bank is to ensure that the goals and targets set at different levels in the bank are reached, while complying with the agreed and established internal control guidelines. Internal control is monitoring by the governing bodies and organization itself, taking place within SB Central Bank, and directed primarily at the status, quality and results of the operation. Internal control is effected by the Board of Directors, CEO, the risk management function, superiors and officials. Moreover, officials are obliged to report deviances and unlawfulness to the higher organization.

Internal audit

The Board of Directors has set up an internal audit function for SB Central Bank, as well as approving an annual audit schedule and reporting principles.

The internal auditors are tasked with assessing the extent and adequacy of the internal controls of SB Central Bank's operational organization and the monitoring and evaluation of the functionality of the risk management systems. The internal audit office reports its findings to the CEO. SB Central Bank's Board of Directors examines the audit summaries prepared by the internal auditors every year. SB Central Bank purchased internal audit services from KPMG (early in 2015) and PwC (PricewaterhouseCoopers Ltd). During the financial year, auditing has focused on treasury activities, among others.

Credit rating

On 7 April 2015, the credit rating agency Standard & Poor's Rating Services (S&P) granted SB Central Bank its first credit rating. At that time, the long-term credit rating was 'A-' and the short-term credit rating 'A-2' (negative outlook). S&P reassessed the long-term credit rating on 2 December 2015. According to this assessment, the long-term credit rating of SB Central Bank is 'BBB+' with stable outlook.

S&P states in its report that the entry into force of the Bank Recovery and Resolution Directive ('the BRRD') of the European Union at the beginning of 2017 will weaken the foreseeability of government support to systemically important banks in Europe. Therefore, S&P has reclassified government support as 'uncertain' and will remove government support as an additional factor improving credit ratings with regard to all European banks under assessment whose home states implement the BRRD in their national legislation. Finland will implement the BRRD as of the beginning of 2017, and at the same time, this additional factor that might have improved the bank's credit rating will be removed from SB Central Bank.

The report also indicates that, despite the weakened economic outlook of the Finnish state, S&P's positive expectations concerning the performance and functional strategy of the Savings Banks Group will upgrade the outlook of the credit rating of Central Bank of Savings Banks Finland Plc to stable.

Governance and management system of the Bank

The Annual General Meeting of SB Central Bank considers the previous year's financial statement, distribution of the profits, discharges, and selection of Board members. The decisions on SB Central Bank's business and strategic matters are made by the Bank's Board of Directors. Further tasks of the Board include making decisions concerning the main issues related to SB Central Bank's business operations and selecting its CEO. The work of the Board of Directors follows approved guidelines. The CEO of SB Central Bank takes care of its daily management according to the guidelines received from the Board of Directors.

The independence and integrity of the Board members and CEO are ascertained in accordance with the directions issued by the Financial Supervisory Authority. On their selection for the position and annually thereafter, the Board members and CEO are obliged to provide an account of the organizations with which they are involved. In addition, on accepting their position, each Board member and CEO 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 19 March 2014. The Board's proposal on the distribution of profits was approved. The Meeting also granted a discharge to the Board members and CEO.

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

Name	Position
Kämäri, Pasi	member, Chairman
Huupponen, Juhani	member, Deputy Chairman, as from 19 March 2015
Ahonen, Pirkko	member, until 19 March 2015
Bondén, Hans	member, until 19 March 2015
Finne Peter	member, as from 19 March 2015
Hakala, Jussi	member, Deputy Chairman, until 19 March 2015
Moilanen Markku	member, as from 19 March 2015
Rinta Jarmo	member, as from 19 March 2015
Saustila, Matti	member, until 19 March 2015
Seppälä Risto	member, as from 19 March 2015
Suominen Jukka	member, as from 19 March 2015
Syvänen Hannu	member, as from 19 March 2015

The Board members hold management positions in the financial sector. During the financial year, the Board met fifteen (15) times in all. The SB Central Bank Board has supervised the deployments of new functions as part of the Board's overall supervision.

SB Central Bank's CEO during the financial year has been Hannu Lanteri, and Head of Treasury Kai Brander has acted as his Deputy. The Annual General Meeting elected KPMG Oy, Authorised Public Accountants, as the auditor of SB Central Bank, with Authorised Public Accountant Petri Kettunen as principal auditor.

The number of personnel at SB Central Bank increased in accordance with the requirements of the new services. Converted into total resources, the number of personnel at the end of the review period on 31 December 2015 was twenty-one (21).

The related party refers to the key persons holding leading positions at SB Central Bank and their family members. SB Central Bank's related party includes the Board members, CEO and Deputy CEO. The changes during the financial year are related to the changes of Board members and change of the principal auditor. SB Central Bank has granted no related party loans and has no related party business activities.

Remuneration system

SB Central Bank's remuneration system complies with the regulations of the European Union and national legislation, the directions and recommendations issued by the Financial Supervisory Authority, and the rules of the Finnish Corporate Governance Code.

When making decisions concerning the executive management and personnel remuneration system, SB Central Bank observes the provisions of Chapter 8 on governance and steering systems in the Act on Credit Institutions. However, SB Central Bank does not apply the provisions of Chapter 8, Sections 9, 11 and 12 of the Act on Credit Institutions to employees whose variable remuneration for one year's earnings period does not exceed EUR 50 thousand or 100 per cent of the employee's total fixed remuneration.

"Remuneration systems" refer to the decisions, contracts, policies and procedures followed in rewarding the management and personnel. The remuneration system includes both the rewarding method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure the Amalgamation's competitiveness, good economic growth, incentiveness, commitment and availability of new competent persons.

The remuneration policies comply with the business strategy, goals and values, as well as providing long-term benefits. The remuneration system is in line with the good and effective risk management of the Bank and is always implemented within the framework of the current risk management policies. The remuneration does not encourage risk-taking in the course of business in ex-cess of the risk level determined by SB Central Bank's risk-bearing capacity or one that is otherwise sustainable.

The General Meeting held on 19 March 2015 decided on the remuneration of the Board of Directors as follows:

annual remuneration, Chairman, EUR 6,500*
annual remuneration, Deputy Chairman, EUR 2,500
annual remuneration, member, EUR 1,000
attendance allowance, EUR 900**

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

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

The conditions and benefits of the CEO's position are approved by the SB Central Bank Board of Directors. SB Central Bank uses a remuneration system under which the personnel, including the CEO, may be paid a sum equivalent to a maximum of 3 months' salary for reaching set targets. The Bank has no pension schemes or any other similar arrangements.

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

The remuneration details in accordance with Pillar III are published in the Savings Banks Group financial statement. The financial statement is available online on the Savings Banks Group website at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

Main outsourced functions

SB Central Bank's bank system is outsourced to Oy Samlink AB, in which the Savings Banks have a majority holding. SB Central Bank purchases support services related to the issuing of cards and the granting of card credits from Nets Ltd. SB Central Bank's bookkeeping and accounts are handled by Paikallispankkien PP-Laskenta Ltd, which is wholly owned by Samlink. SB Central Bank purchased internal audit services from KPMG (early in 2015) and PwC (PricewaterhouseCoopers Ltd).

Social responsibility

The social responsibility policy of the Savings Banks Group is set out in its Annual Report. SB Central Bank's social responsibility refers to its responsibility for the impacts of its business activities on surrounding society and the company's stakeholder groups. By acting as the Savings Banks' central credit institution, SB Central Bank in its part supports the social responsibility of the local Savings Banks.

Significant events after the interim report date

On 19 January 2016, SB Central Bank issued a 2-year variable-rate senior bond amounting to EUR 250 million under its EMTN programme.

Outlook for the year 2016

In 2016, the growth of the balance sheet will subside, and SB Central Bank's balance sheet will grow in accordance with the financing needs of the Amalgamation banks. In addition, SB Central Bank will take care of the temporary financing of Sp Mortgage Bank, which will start its operations in 2016. Refinancing will mainly be implemented through the EMTN programme in force by issuing unsecured bonds. In 2016, SB Central Bank's net interest income will still be held back by low interest rates and the negative interest rate on central bank deposits.

As a result of the agent activities and co-operation between SB Central Bank and the Amalgamation banks, the card business initiated in 2015 is estimated to grow in volume faster than the market. In addition, SB Central Bank will develop its payment transaction services further, and will plan and implement other necessary projects to promote the business of the Amalgamation banks.

The result for 2016 is expected to show a profit.

The Board of Directors' proposal on the disposal of distributable funds

SB Central Bank's distributable funds amount to EUR 6,581,576.82.

The SB Central Bank Board of Directors proposes to the Annual General Meeting that the profit for the financial year of EUR 339,492.08 is entered as accumulated retained earnings with no dividend paid.

Information

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

Formulas used in calculating the financial highlights:

Revenues:	Interest income, fee income, net trading income, other operating revenue
Total operating revenue:	Net interest income, net fee and commission income, net trading income, other operating revenue
Total operating expenses:	Personnel expenses, other operating expenses (excluding depreciations)

Cost to income ratio:

$$\frac{\text{Total operating expenses}}{\text{Total operating revenue}} * 100$$

Return on equity % :

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

Return on assets %:

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

Equity/assets ratio %:

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

Solvency ratio, %:

$$\frac{\text{Own Funds total}}{\text{Risk-weightes assets total}} * 100$$

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC: IFRS FINANCIAL STATEMENT 2015

Income statement

(1 000 euros)	Note	1-12/2015	1-12/2014
Interest income		8 512	496
Interest expense		-8 716	-342
Net interest income	6	**-205**	**154**
Net fee and commission income	7	2 474	718
Net trading income	8	-154	0
Other operating revenue	10	2 990	3 489
Total operating revenue		5 105	4 360
Personnel expenses	11	-2 144	-1 915
Other operating expenses	12	-3 472	-2 098
Depreciation and amortisation of property, plant and equipment and intangible assets	13	-370	-243
Total operating expenses		-5 986	-4 256
Net impairment loss on financial assets		-61	0
Operating profit		-942	104
Taxes		1 282	-24
Profit		339	80

Statement of comprehensive income

(1 000 euros)	1-12/2015	1-12/2014
Profit	**339**	**80**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	-2	65
Total	-2	65
Total comprehensive income	**337**	**145**

Statement of financial position

(1 000 euros)	Note	31.12.2015	31.12.2014
Assets			
Cash and cash equivalents	16	526 993	513 509
Loans and advances to credit institutions	17	830 367	141 697
Loans and advances to customers	17	82 073	305
Investment assets	19	96 738	54 872
Property, plant and equipment	20	214	89
Intangible assets	21	1 742	1 424
Tax assets	22	1 253	0
Other assets	23	8 532	2 171
Total assets		**1 547 912**	**714 067**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	24	692 385	653 096
Liabilities to customers	24	20 293	700
Derivatives	18	366	-
Debt securities issued	25	770 947	12 979
Tax liabilities	22	76	105
Other liabilities	26	17 202	881
Total liabilities		1 501 269	667 761
Equity			
Share capital		40 000	40 000
Reserves		19 062	19 064
Retained earnings		-12 418	-12 758
Total equity		46 643	46 306
Total liabilities and equity		**1 547 912**	**714 067**

Statement of cash flows

(1 000 euros)	1-12/2015	1-12/2014
Cash flows from operating activities		
Profit	339	80
Adjustments for items without cash flow effect	622	246
Change in deferred tax	-1 263	6
Income taxes paid	-19	19
Cash flows from operating activities before changes in assets and liabilities	-320	350
Increase (-) or decrease (+) in operating assets	**-812 177**	**-166 492**
Available-for-sale financial assets	-15 437	-37 806
Loans and advances to credit institutions	-682 080	-127 557
Loans and advances to customers	-81 801	-293
Increase in held-to-maturity financial assets	-26 508	-
Decrease in held-to-maturity financial assets	-	996
Other assets	-6 351	-1 832
Increase (-) or decrease (+) in operating liabilities	**833 384**	**622 555**
Liabilities to credit institutions	39 290	610 185
Liabilities to customers	19 593	-1 025
Debt securities issued	758 179	12 979
Other liabilities	16 322	415
Total cash flows from operating activities	20 886	456 413
Cash flows from investing activities		
Investments in investment property and in tangible and intangible assets	-812	-1 351
Disposals of investment property and tangible and intangible assets		
Total cash flows from investing activities	-812	-1 351
Cash flows from financing activities		
Decrease in subordinated liabilities	-	35 000
Other monetary increases in equity items		
Total cash flows from financing activities	0	35 000
Adjustments for items without cash flow effect		
Impairment losses on financial assets	23	-
Changes in fair value	154	-
Depreciation, amortisation and impairment of property, plant and equipment and intanqible assets	370	243
Other adjustments	75	3
Total	622	246

Change in cash and cash equivalents	**20 074**	**490 061**
Cash and cash equivalents at the beginning of the period	517 649	27 588
Cash and cash equivalents at the end of the period	537 723	517 649

Cash and cash equivalents comprise the following items:

Cash	526 993	513 509
Receivables from central banks repayable on demand	10 729	4 140
Total cash and cash equivalents	537 723	517 649

Interest received	3 394	368
Interest paid	4 335	320

Statement of changes in equity

(1 000 euros)	Share capital	Reserve for invested non-restricted equity	Fair value reserve (available for sale)	Total reserves	Retained earnings	Total
Equity 1 January 2014	**5 000**	**19 000**	**-1**	**18 999**	**-12 838**	**11 162**
Comprehensive income						
Profit				0	80	80
Other comprehensive income			65	65		65
Total comprehensive income	0	0	65	65	80	145
Transactions with owners						
Investments made by owners, recognised directly in equity	35 000				0	35 000
Total equity 31 December 2014	40 000	19 000	64	19 064	-12 758	46 306

Equity 1 January 2015	40 000	**19 000**	**64**	**19 064**	**-12 758**	**46 306**
Comprehensive income						
Profit				0	339	339
Other comprehensive income			-2	-2		-2
Total comprehensive income	0	0	-2	-2	339	337
Total equity 31 December 2015	40 000	19 000	62 000	19 062	-12 418	46 643

BASIS OF PREPARATION

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

Central Bank of Savings Banks Finland Ltd (hereinafter "SB Central Bank", "company", "entity") is a depository bank owned by Finnish Savings Banks. SB Central Bank's primary function is to provide the Savings Banks with various central credit institution services. The central credit institution services focus on payment services and bolstering the refinancing of the Amalgamation banks as well as the issuing of credit and debit cards. SB Central Bank belongs to the Savings Banks Group and its principal owners are the 25 Savings Banks of the Amalgamation and one Savings Bank outside the Amalgamation. SB Central Bank's form of the company changed from a limited company to a public limited company 30th January 2015.

The Savings Banks Group (hereafter Group) is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the central institution and the subsidiaries and associated companies owned by Savings Banks. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers.

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

The member organizations of the Savings Banks Amalgamation (hereafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the central institution of the Amalgamation, 23 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd, as well as the companies within the consolidation groups of the abovementioned entities.

The structure of the Group differs from that of the Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd, Sp-Koti Ltd and Säästöpankkien Holding Ltd. The Savings Banks' Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Group.

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

The head office of Central Bank of Savings Banks Finland Ltd is in Espoo, and its registered address is Hevosenkenkä 3, 02600 Espoo, Finland. A copy of SB Central Bank's financial statement is available online from www.spkeskuspankki.fi or from the Bank's offices at Hevosenkenkä 3, 02600 Espoo, Finland.

Similarly, a copy of The Group's financial statements are available at the website www.saastopankki.fi/saastopankkiryhma or at the premises of Savings Banks' Union Coop, address Linnoitustie 9, FI-02600 Espoo.

SB Central Bank's Board of Directors has approved the Bank's financial statement 2015 on 8 February 2016, and the financial statement will be presented to the Annual General Meeting of 2016 for approval. The Annual General Meeting has the choice of approving or not approving the financial statement.

NOTE 2: ACCOUNTING POLICIES

1. Overview

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

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

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

SB Central Bank's financial statements are prepared under the historical cost convention, except for the available-for-sale financial assets and hedged items in fair value hedges (for hedged risks), which are measured at fair value.

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

2. Financial instruments

Classification and recognition

In accordance with IAS 39, SB Central Bank's financial assets are classified into three categories for valuation:

- Available-for-sale financial assets
- Held-to–maturity financial investments
- Loans and receivables

SB Central Bank's financial liabilities are classified into following category for valuation:

- Other financial liabilities

Classification in the SB Central Bank's balance sheet is independent of the IAS 39 categories. Different valuation method may therefore apply to assets and liabilities presented on the same line in the balance sheet. Financial assets and liabilities by valuation category is presented in the Note 15.

Purchase and sale of financial instruments is recognised on the trade date.

Upon initial recognition, all financial assets and financial liabilities are recognised at fair value. Transaction costs are included in the acquisition cost for the financial instruments.

Financial assets and liabilities are offset in the balance sheet if SB Central Bank currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and it intends to settle the asset and liability on a net basis. SB Central Bank has not offset financial assets and liabilities in the balance sheet.

Financial assets are derecognised when the contractual rights to the cash flows of the financial item in the financial assets have expired or when the rights have been transferred to a third party so that substantially all risks and rewards have been transferred. Financial liabilities are derecognised when they are extinguished or when obligations is discharged or expired.

Held-to-maturity financial investments

Held-to-maturity financial assets include interest-bearing financial assets with fixed or determinable payments which mature on a specified date and are owned by SB Central Bank and which the Bank is able to and firmly intends to hold to maturity.

Financial assets classified as held-to-maturity are measured at amortised cost or at cost less impairment losses, if there is objective evidence of impairment.

Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortised cost.

Available for sale financial assets

Financial assets that are not classified in the above categories are classified as available for-sale financial assets. Available for-sale financial assets are measured at fair value. However, investments in unquoted equity instruments are carried at acquisition cost or at acquisition cost less provision for impairment. Fair value changes of available for sale financial assets are recognised in other comprehensive income in the fair value reserve within shareholders' equity net of deferred taxes. Gains or losses are reclassified from equity to the income statement within "Net investment income" upon transfer, sale or impairment

Other financial liabilities

Other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. With the exception of derivative contracts and the issued bond for which hedge accounting is applied, all financial liabilities are measured at amortised cost in the balance sheet.

Determining the fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a financial instrument traded in active markets is based on quoted market prices or, based on company's own valuation techniques if an active market does not exist. A market is considered active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted bid price is used as the current market price of financial assets. If the market has a well-established valuation practice for a financial instrument, for which a quoted market price is not available, the fair value is based on a commonly used model for calculating the market price and the market quotation of inputs used in the valuation model.

If the valuation technique is not well established in the market, a valuation model created for the product in question is used to determine its fair value. Valuation models are based on widely used techniques, incorporating all factors that market participants would consider in setting a price. Used valuation prices consist of market transaction prices, discounted cash flow method and the current a fair value of another substantially similar instrument at the reporting date. The valuation techniques take into account estimated credit risk, applicable discount rates, early repayment option, and other such factors that may impact the fair value of the financial instrument to be determined reliably.

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

- Quoted prices in active markets for identical assets or liabilities (Level 1)
- Fair values that are determined using inputs other than Level 1 quoted prices that are observable for assets or liabilities, either directly (e.g. as prices) or indirectly (e.g. derived from prices) (Level 2)
- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

The fair value hierarchy level to which an item measured at fair value is classified in its entirety is determined at the lowest level of input information for the whole item. The significance of the input data is evaluated in its entirety in the case of the item which is valued at fair value.

Derivatives and hedge accounting

Derivative financial instruments are valued at fair value in the financial statements, and fair value changes are recognized in the balance sheet and income statement or in other comprehensive income.

SB Central Bank hedges its interest rate risk from changes in fair value and applies hedge accounting for the hedge relationships. The hedged item in the fair value hedge is the issued fixed rate bond.

Changes in the fair value of derivatives hedging fair value are recognized in the income statement under "Net trading income". When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortized cost. A change in the hedged item's fair value is recognized in the balance sheet as an adjustment to the balance sheet amount of the hedged item and in the income statement under "Net trading income". Interests on hedging derivatives are presented as interest income and expense depending on their nature.

Impairment losses of financial assets

Loans and receivables

The impairment losses of loans and other receivables are recognised by SB Central Bank on a collective basis from the card credit portfolio. In accordance with SB Central Bank's Credit Risk Strategy, other credits – lending to savings banks and strategic partners – must not generate credit losses.

Impairment of card credit is recognised collectively for card credits that have been found defaulted, as client-specific liabilities are low and the number of defaulted credits is high. In this context, 'collective' refers to a group of credits that have been found to be defaulted.

Impairment losses on loans and receivables are recognised in the allowance account and netted against loans and receivables. In the income statement the impairment losses are recognised under impairment losses on loans and other receivables. If in a subsequent period appears that the impairment is not permanent it is reversed.

Loans and receivables, whose collection is deemed impossible, are recognised as credit losses. Credit losses are recorded in the allowance account. Non-recoverable loans and receivables are recorded as a permanent credit loss, and the impairment loss is reversed when the normal collection process is completed and the final amount of the individual loan or receivable can be measured.

Held-to-maturity financial investments

If at the balance sheet date there is objective evidence that the carrying amount of a debt instrument classified as held to maturity is decreased, the debt instrument is subjected to an impairment test.

If the impairment assessment provides evidence that a debt instrument is impaired the impairment loss is recognised in the income statement under "Net investment income". The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Estimated future cash flows are discounted using the receivable's original effective interest rate.

Available for sale financial assets

If at the balance sheet date there is objective evidence that the carrying amount of a security classified as available for sale is decreased, the security is subjected to an impairment test. If the impairment assessment provides evidence that the security is impaired, the impairment loss is recognised in the income statement under "Net investment income".

Impairment assessment of a available for sale debt instrument is mainly based on the estimated future cash flows. Reduction in fair value, which is solely due to the increase in risk-free market interest rates, does not give rise to recognise an impairment loss. Instead, an increase in the counterparty's credit risk premium may be an evidence of deteriorated ability to pay.

The impairment loss of debt securities is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The reversal of previously recognised impairment loss is recognised in the income statement.

3. Leases

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for the agreed period for a payment or a series of payments. Leases are classified as finance leases or operating leases depending on the substance of the business transaction. A lease is a finance lease if it transfers substantially all the risks and rewards to the lessee. Otherwise, it is an operating lease.

SB Central Bank does not have leased assets under financial lease. Payments made under operating leases are charged to the income statement under other operating expenses on a straight-line basis over the period of the lease. SB Central Bank is the lessee in office premises, printers and laptops, among others.

4. Employee benefits

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

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

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

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

5. Intangible assets

An intangible asset is an identifiable asset that has no physical substance. In SB Central Bank, intangible assets include computer software and software licences.

An intangible asset is recognised 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 amortised on a straight-line basis over their known or estimated useful lives. The useful life of intangible assets is reviewed annually.

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

6. Property, plant and equipment and investment properties

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

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

The estimated useful lives are mainly as follows:

Machinery and equipment	3-5 years

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

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

7. Income taxes

SB Central Bank's income tax for the period comprises current tax, previous years' tax adjustments and changes in deferred taxes. Tax is recognised in income statement except when 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.

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

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

8. Revenue recognition

Interest income and expenses

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

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

Fees and commissions

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

Net trading income

Net income from fair value hedging is recognised in net trading income.

9. New IFRS standards and interpretations

New and amended standards applied in financial year ended

SB Central Bank has applied as from 1 January 2015 the following new and amended standards that have come into effect:

Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on SB Central Banks financial statements.

Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.

IFRIC 21 *Levies* (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on on SB Central Bank's financial statements.

Adoption of new and amended standards and interpretations applicable in future financial years

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

* = not yet endorsed for use by the European Union as of 31 December 2015.

Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation has no significant impact on SB Central Bank's financial statements.

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on SB Central Bank's financial statements.

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture - Bearer Plants* (effective for financial years beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on SB Central Bank's financial statements.

Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception** (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on SB Central Bank's financial statements.

Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments a will not have an impact on SB Central Bank's financial statements.

Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on SB Central Bank's financial statements.

New IFRS 14 *Regulatory Deferral Accounts** (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP ("grandfathering") while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on SB Central Bank's financial statements.

Annual Improvements to IFRSs (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard has no significant impact on SB Central Bank's financial statements.

New IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The deployment of the IFRS 9 standard is estimated to affect the balance sheet, income statement, comprehensive result and the presentation of financial instruments in the financial statements of SB Central Bank. The management of SB Central Bank estimates that the deployment of the impairment model based on the determination of expected credit losses will increase the impairments recognised for the loan portfolio. However, the impact on the income statement is estimated to be moderate. The deployment of the model concerning the recognition and measurement of financial assets according to IFRS 9 and hedge accounting is estimated to have a slight impact on the financial result of SB Central Bank.

SB Central Bank has standardized the terminology used in its financial statements to make it correspond the terminology used by the Savings Banks Group. Changes in terminology have no effects on reported financial figures.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Fair value measurement

The management should consider whether an individual financial instrument is actively traded and whether the market price obtained is a reliable indication of the financial instrument's fair value. In addition, the management must determine when the financial instruments market is not active. The management's judgment is required in cases where the financial instrument's fair value is determined using valuation techniques. If observable inputs are not available in the market for the valuation, the management must assess what other inputs should be used in measuring the fair value. Fair value measurement is discussed in more detail in section "Fair Value Measurement".

Impairment of financial assets

The management must also regularly assess whether there is objective evidence of the impairment of loans and receivables. Impairment testing is performed on a single receivable or a group of receivables. Impairment is based on the management's estimate of future cash flows of the receivable. Recognising objective evidences and evaluation of future cash flows require management's judgment. The impairment principles are explained in more detail in section "Impairment losses on financial assets" in the accounting policies.

Impairment testing of other financial assets not fair valued through profit or loss is carried out at each balance sheet date. Impairment losses are recognised in profit or loss if there is objective evidence. In the case of available for sale equity instruments, impairment is recognised if the impairment is assessed to be significant or prolonged. The management must assess when the impairment is significant or prolonged. More detailed principles for impairment losses of other financial instruments are presented under "Impairment losses of financial assets".

Deferred tax assets

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

For the basis of recognition of tax assets, SB Central Bank's management has assessed SB Central Bank's future operations, considering the general market situation, Savings Banks Group's future development outlook and changes in operations of SB Central Bank. Evaluation of the future of the new business launched during the financial year, the issuing of payment cards, is based on the historical development of and realised data for the purchased card credit portfolio.

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 operation. The risk-bearing capacity comprises adequate and effective risk management based on the scale and demands of the operation, as well as a sufficient degree of liquidity and solvency based on 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 other closely associated risks. The purpose of risk management is to reduce the probability of unanticipated losses or threats to the subject's reputation and thus ensure the implementation of group strategy. Risk and solvency management are part of internal control. SB Central Bank has a risk management function that is independent of business operations.

Risk and solvency management create the conditions for risk identification, assessment, quantification, and the limitation of risks at a safe level for SB Central Bank. The capital requirements necessitated by various risk areas and business activities are defined reliably and independently, and the capital is allocated systematically in accordance with current and planned risk-taking and in accordance with SB Central Bank's liquidity management.

Risk management is part of SB Central Bank's internal control and an integral part of its operational activities. SB Central Bank's risk management strategy is based on its mission and business strategy, risk management guidelines, authorizations, and the risk and deviation reporting covering the major business activities, as approved by the Board of Directors.

SB Central Bank does not have excessively large client or investment 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 capitalization at a safe level.

The Board of Directors is regularly informed on the various risks affecting SB Central Bank and their levels. The Board also approves the authorizations and guidelines of risk-taking by determining risk limits for accepted risk types. The responsibility for daily risk monitoring and control rests with the management according to set auhtorizations. The systems and procedures regarding risk reporting and monitoring fulfil the criteria set for risk management, taking into account the nature and scope of SB Central Bank's operation.

In its operations in 2015, SB Central Bank was exposed to credit, market and operational risks, as well as business and liquidity risks.

Credit and counterparty risks

Credit risk refers to a situation where a counterparty is unable to fulfil its commitments as agreed. 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 solvency of risks arising from client liabilities at an acceptable level. The business and risk management strategies approved by the Board of Directors set the maximum exposures for concentration risks and control investment and lending activities.

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

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

On 1 December 2015, SB Central Bank started its operations as the issuer of payment cards in the Savings Banks Group. In this connection, SB Central Bank purchased the credit card portfolio of the Amalgamation banks from Nets Ltd. 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.

During the year, SB Central Bank used derivatives and invested in ECB eligible and other debt instruments in accordance with the investment policies 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 Board of SB Central Bank made a decision on 13 February 2014 that the maximum liability for an Amalgamation Bank is 100 per cent of SB Central Bank's equity (CRR Article 395). This limit has not been exceeded. 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.

Liquidity risk

Liquidity risk refers to a bank's ability to fulfil its commitments. Liquidity risk may arise from the lack of control and/or anticipation of incoming and outgoing cash flows. An uncontrolled rise of refinancing cost may also be defined as liquidity risk. Liquidity risk can be more precisely divided into short-term liquidity risk and long-term refinancing risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid assets to guarantee liquidity. SB Central Bank's liquidity remained good throughout 2015. Daily liquidity is monitored at SB Central Bank and a liquidity status report of Amalgamation member banks is also provided to the Savings Banks Union Coop risk management function. Refinancing risk is managed by ensuring adequate long-term financing in relation to long-term receivables.

The credit rating the bank received from S&P opened foreign financing channels, and thus expanded the financing opportunities considerably. The credit rating together with EMTN programme enabled public issuances targeted mainly overseas and private placement transactions. The EUR 500 million bond issuance executed at the turn of April and May as well as private placement transactions executed afterwards, have enabled growth in refinancing and extension of maturity, as well as expansion of funding base for the banks belonging to the Amalgamation. At the same time, the LCR ratio has been strengthened through issues by allocating part of the issue to increase of liquid assets. SB Central Bank's LCR-ratio was 99.9% on the 31st of December 2015 and 121.8% respectively in the comparison period.

Maturity distribution of financial liabilities:

		2015		
(1 000 euros)	under 3 months	3 - 12 months	1 - 5 years	Total
Liabilities to credit institutions	592 385	10 000	90 000	692 385
Liabilities to customers	293	20 000		20 293
Debt securities issued	62 963	39 935	668 048	770 947
Off balance-sheet commitments	173 871			173 871
Total	829 512	69 935	758 048	1 657 496

		2014		
(1 000 euros)	under 3 months	3 - 12 months	1 - 5 years	Total
Liabilities to credit institutions	559 096	4 000	90 000	653 096
Liabilities to customers	700			700
Debt securities issued	2 998	9 981		12 979
Off balance-sheet commitments	5 195			5 195
Total	573 184	13 981	90 000	677 165

Market risk

Market risk refers to the impact of interests rates and market prices on the bank's income statement and equity. Of the market risks, SB Central Bank was only exposed to interest rate risk in the reporting period 2015, 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. In May 2015 SB Central Bank introduced hedge accounting as the fixed-rate bond issued by the bank, was swapped to floating-rate using an interest rate swap agreement. SB Central Bank monitors interest rate risk both with and income risk method.

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

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

Change in net interest income:

(1 000 euros)	31.12.2015	
Period	Down	Up
Change, next 12 months	-37	-568
Change, 12–24 months	-151	-142

Operational risk

Operational risks refer to a threat of loss caused by inadequate or failed internal processes, personnel, systems, or external factors. Judicial risks are also included in operational risks.

SB Central Bank identifies and documents operational risks associated with products, services, functions, 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 2015, 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.

NOTE 5: CAPITAL ADEQUACY MANAGEMENT

SB Central Bank has drawn up a capital adequacy management process, the aim of which is to ensure the bank's risk-bearing capacity is sufficient in relation to all the main risks in its operation. SB Central Bank identifies and comprehensively assesses the risks inherent in its operation and matches its risk-bearing capacity to the total sum of SB Central Bank's exposures. To ensure its capital adequacy, SB Central Bank sets risk-based capital targets and draws up a capital plan in order to reach the targets. One of the aims of the capital adequacy management process is also to maintain and develop the risk management procedure.

In accordance with its strategy, SB Central Bank provides the savings banks with various centralized services, such as those related to payments, payment card issuance, liquidity management and funding for the Amalgamation. By operating only in this business sector, the Bank is able to maintain its operational risks at a manageable level. SB Central Bank's capital adequacy management is the responsibility of the Bank's Board of Directors, which also sets the operational risk limits. The SB Central Bank Board carries out an annual review of the risks associated with the Bank's capital adequacy, capital plan and set exposure limits.

As part of its capital adequacy management process, SB Central Bank prepares forecasts on items such as profit and loss, growth and solvency. SB Central Bank uses the forecasts in mapping the necessary measures in order to secure the level of capital adequacy required by the business strategy

Equity and capital adequacy

SB Central Bank's capital adequacy is strong and in line with the 8% minimum level requirement, as well as the capital conservation and countercyclical capital buffers. The capital conservation buffer, 2.5%, and countercyclical capital buffer were imposed at the beginning of 2015. When necessary, the authorities may set the countercyclical capital buffer to 0–2.5%. In 2015, no countercyclical capital buffer was set.

In its capital adequacy calculation, SB Central Bank applies the standard method of credit risk calculation and the basic method in calculating operational risk. SB Central Bank has published the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Interim Report issued half-yearly.

The key risk barometers for SB Central Bank's capital planning are capital adequacy in accordance with the Act on Credit Institutions and the internal monitoring limit in the risk buffer set for the equity capital over and above the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Various scenario analyses are prepared as part of capital planning. The scenario analyses are used for the assessment of how various exceptionally serious but possible circumstances can impact the liquidity of SB Central Bank and the Savings Banks Group, as well as the profitability and capital adequacy of SB Central Bank. According to the analysis results, SB Central Bank's loss-absorption capacity is sufficient and its capital adequacy in the next few years would fulfil the requirements of current legislation, even during a serious recession.

SB Central Bank's own funds totalled EUR 44.9 (44.9) million, while the minimum requirement for own funds was EUR 11.5 (2.5) million. The Common Equity Tier 1 (CET1) stood at EUR 44.9 million. Tier 1 capital amounted to 44.9 EUR (44.9) million. The capital and reserves consist entirely of common equity tier 1 capital, core capital, and SB Central Bank has no equity classified as Tier 2 or other capital.

SB Central Bank's capital adequacy ratio was high, standing at 40.9 per cent at year-end. The high capital adequacy figure is due to the exemption granted to the Amalgamation by the Financial Supervisory Authority, according to which the risk weight applied to the Amalgamation's internal financing items in capital adequacy calculation is 0%.

SB Central Bank's capital adequacy information is included in the consolidated financial statements of the Savings Banks Amalgamation. The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 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). The Savings Banks Group publishes the so-called Pillar III capital adequacy information in its financial statements. The Savings Banks Group's financial statements are available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

Capital Adequacy

Own Funds (1 000 euros)	2015	2014
Common Equity Tier 1 (CET1) capital before regulatory adjustments	46 643	46 306
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1 742	-1 490
Common Equity Tier 1 (CET1) capital	44 902	44 816
Tier 1 capital (T1 = CET1 + AT1)	44 902	44 816
Tier 2 (T2) capital before regulatory adjustments	-	66
Total regulatory adjustments to Tier 2 (T2) capital	-	0
Tier 2 (T2) capital	-	66
Total capital (TC = T1 + T2)	44 902	44 882
Risk weighted assets		
Credit and counterparty risk	101 177	26 289
Items in balance sheet	73 013	23 774
Off balance-sheet commitments	27 714	2 515
Derivative contracts	450	-
Credit valuation adjustment (CVA)	1 996	-
Market risk	-	-
Currency risk	-	-
Operational risk	6 526	4 501
Risk-weighted assets total	109 699	30 790
Minimum standard of Own funds	11 518	2 463
Amount which exceeds minimum standard of Own funds	33 383	42 419
Common Equity Tier 1 (as a percentage of total risk exposure amount)	40.9	145.6
Tier 1 (as a percentage of total risk exposure amount)	40.9	145.6
Total capital (as a percentage of total risk exposure amount)	40.9	145.8

Leverage ratio

The leverage ratio of SB Central Bank was 2.7%. The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Bank's Tier 1 capital to total liability.

(1 000 euros)	2015	2014
Tier 1 capital	44 902	44 816
Total liability	1 661 573	671 532
Leverage ratio	2.7	6.7

PROFIT FOR THE PERIOD

NOTE 6: NET INTEREST INCOME

(1 000 euros)	1-12/2015	1-12/2014
Interest income		
Debts eligible for refinancing with Central Bank	37	-13
Loans and advances to credit institutions	3 400	350
Loans and advances to customers*	447	1
Debt securities	177	157
Derivative contracts		
Hedging	3 612	-
Other **)	839	0
Total	8 512	496
* of which interest income from impaired loans	1	-
Interest expense		
Liabilities to credit institutions	-1 515	-305
Liabilities to customers	-141	0
Debt securities issued	-4 405	-37
Derivative contracts***		
Hedging	-2 655	0
Other	-	0
Total	-8 716	-342
Net interest income	**-205**	**154**

**) Other interest income is made up of interest charges based on account agreements.

***) The interest expense from Liabilities to credit institutions is largely made up of the negative interest on central bank deposits.

NOTE 7: NET FEE AND COMMISSION INCOME

(1 000 euros)	1-12/2015	1-12/2014
Fee and commission income		
Lending	1 027	4
Deposits	-	0
Payment transfers	3 559	453
Other	155	446
Total	4 741	903
Fee and commission expense		
Payment transfers	-2 243	-181
Securities	-14	-4
Other	-10	0
Total	-2 267	-185
Net fee and comission income	**2 474**	**718**

NOTE 8: NET TRADING INCOME

(1 000 euros)	1-12/2015	1-12/2014
Net income from hedge accounting		
Change in hedging instruments' fair value	-366	-
Change in hedged items' fair value	212	-
Total	-154	0

NOTE 9: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

(1 000 euros)	1-12/2015	1-12/2014
Interest income on:		
Unimpaired held-to-maturity investments	68	1
Loans and receivables	4 685	351
Available-for-sale financial assets	147	144
Total interest income arising from financial assets not measured at fair value through profit or loss.	**4 900**	**495**
Financial assets at fair value through profit or loss:	3 612	-
Financial assets at fair value through profit or loss	3 612	-
Finance income	8 512	495
Interest expence on:		
Financial liabilities measured at amortised cost	-6 062	-342
Financial assets at fair value through profit or loss:	-2 655	0
Financial assets at fair value through profit or loss	-2 655	0
Finance expenses	-8 716	-342
Net financial expenses recognised in profit or loss	**-205**	**153**

NOTE 10: OTHER OPERATING REVENUE

(1 000 euros)	1-12/2015	1-12/2014
Other income from Banking*	2 990	3 489
Total	2 990	3 489

* Other income from banking consists mainly of payments received from Amalgamation banks relating to new services implemented during the financial year. These services have been fully rendered and no future income is expected.

NOTE 11: PERSONNEL EXPENSES

(1 000 euros)	1-12/2015	1-12/2014
Wages and salaries	-1 775	-1 583
Pension expenses	-310	-271
Defined contribution plans	-310	-271
Other personnel related costs	-59	-60
Total	-2 144	-1 915

Full-time	21.0	20.0
Part-time	-	-
Temporary	1.0	-
Total	22.0	20.0

Number of employees converted to FTEs	21.0	19.5
Average number of FTEs during the financial year	21.1	16.5

NOTE 12: OTHER OPERATING EXPENSES

(1 000 euros)	1-12/2015	1-12/2014
Other administrative expenses		
Other personnel expenses	-106	-157
Office expenses	-441	-295
ICT expenses	-994	-798
Telecommunications	-71	-27
Representation expenses	-1	-1
Marketing	-26	0
Total	-1 640	-1 279
Other operating expenses		
Rental expenses	-265	-262
Office expenses	-14	-14
Other operating expenses*	-1 552	-543
Total	-1 832	-820
Other operating expenses total	**-3 472**	**-2 098**
***Audit fees**		
Statutory audit	-24	-17
Audit related services	-7	-9
Other services	-48	0
Total	-80	-26 731

NOTE 13: DEPRECIATION AND AMORTISATION OF PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(1 000 euros)	1-12/2015	1-12/2014
Depreciation and amortisation of machinery and equipment	-32	-20
Amortisation of intangible assets	-338	-223
Total depreciation and amortisation	-370	-243

NOTE 14: INCOME TAXES

(1 000 euros)	1-12/2015	1-12/2014
Current tax		-19
Tax for prior years	19	-
Change in deferred tax assets	1 251	-
Change in deferred tax liabilities	12	-6
Income taxes	1 282	-24

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

(1 000 euros)	1-12/2015	1-12/2014
Reconciliation of effective tax rate		
Accounting operating profit	-942	104
Differences between accounting and taxable profit	53	-11
Taxable profit	-889	93
Tax using the domestic corporation tax rate	188	-21
Non-deductible expenses	7	-4
Unrecognised deductible expenses (education deduction)	2	1
Use of approved tax losses for prior years	1 244	-
Recognition of previously unrecognised tax losses	-178	-
Tax for prior years	19	-
Tax expense	1 282	-24 202
Corporate income tax rate	20%	20%

More information on deferred taxes is provided in Note 22.

ASSETS

NOTE 15: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2015 (1 000 euros)	Loans and other receivables	Available-for-sale	Held-to-maturity	Total
Cash and cash equivalents	526 993			526 993
Loans and advances to credit institutions	830 367			830 367
Loans and advances to customers	82 073			82 073
Investment assets		70 306	26 433	96 738
Total assets	1 439 433	70 306	26 433	1 536 172

31.12.2015 (1 000 euros)	Other financial liabilities	Financial assets at fair value through profit or loss	Total
Liabilities to credit institutions	692 385		692 385
Liabilities to customers	20 293		20 293
Derivatives			
hedging derivatives			
of which fair value		366	366
Debt securities issued	770 947		770 947
Total liabilities	1 483 625	366	1 483 991

31.12.2014 (1 000 euros)	Loans and other receivables	Available-for-sale	Held-to-maturity	Total
Cash and cash equivalents	513 509	-	-	513 509
Loans and advances to credit institutions	141 697	-	-	141 697
Loans and advances to customers	305	-	-	305
Investment assets	-	54 872	-	54 872
Varat yhteensä	655 511	54 872	-	710 383

31.12.2014 (1 000 euros)	Other financial liabilities	Financial assets at fair value through profit or loss	Total
Liabilities to credit institutions	653 096	-	653 096
Liabilities to customers	700	-	700
Debt securities issued	12 979	-	12 979
Total liabilities	666 775	-	666 775

NOTE 16: CASH AND CASH EQUIVALENTS

(1 000 euros)	31.12.2015	31.12.2014
Receivables from central banks repayable on demand	526 993	513 509
Total	526 993	513 509

Cash and cash equivalents are specified in the cash flow statement.

NOTE 17: LOANS AND ADVANCES

(1 000 euros)	31.12.2015	31.12.2014
Loans and advances to credit institutions		
Deposits	10 729	16 140
Loans and other receivables*	819 638	125 557
Total	830 367	141 697
Loans and receivables to customers		
Account credits in use**	893	305
Loans***	81 213	-
Impairment losses	-33	-
Total	82 073	305

* Granted to banks within the Savings Banks Amalgamation based on the Act on Amalgamations.

** Credit rating agency's rating A or better

*** Credit card portfolio

Impairment losses on loans and other receivables 2015 (1 000 euros)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2015	**10**	**0**	**10**
+ increase in impairment losses	0	33	33
- reversal of impairment losses	-10	0	-10
- final write-offs	0	0	0
Impairments 31 December 2015	0	33	33
Impaired loans and receivables 1 January 2015	**10**	**0**	**10**
Loans and receivables classified as impaired during the year	0	110	110
Reversals for impaired receivables during the year	-10	0	-10
Impaired loans and receivables 31 December 2015	0	110	110

Impairment losses on loans and other receivables 2014 (1 000 euros)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2014	**10**	**-**	**10**
Impairments 31 December 2014	10	-	10
Impaired loans and receivables 1 January 2014	**10**	**0**	**10**
Impaired loans and receivables 31 December 2014	10	0	10

NOTE 18: DERIVATIVES AND HEDGE ACCOUNTING

SB Central Bank hedges its interest rate risk against exposure to variability in fair value and applies hedge accounting on hedging relationships. Fair value hedging is targeted at fixed interest rate borrowing.

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

(1 000 euros)	Nominal value / remaining maturity		Fair value	
31.12.2015	1 - 5 years	Total	Assets	Liabilities
Hedging derivative contracts				
Fair value hedging				
Interest rate derivatives	450 000	450 000	-	366
Total	450 000	0	-	366

31.12.2014

No information to be presented regarding the comparative period.

NOTE 19: INVESTMENT ASSETS

(1 000 euros)	31.12.2015	31.12.2014
Available-for-sale financial assets		
Debt securities*	70 306	54 872
Total	70 306	54 872
Held-to-maturity assets		
Debt securities*	26 433	0
Total	26 433	0
Total investment assets	**96 738**	**54 872**

* Credit ratings for year 2015:

- AAA: EUR 6 000 thousand
- AA+: EUR 25 000 thousand
- BBB+: EUR 16 000 thousand
- BB+: EUR 9 000 thousand
- Banks included in the Savings Banks Amalgamation EUR 40,000 thousand

Available-for-sale and Held-to-maturity financial assets

2015	Available-for-sale Debt securities	Held-to-maturity	Total
(1 000 euros)	At fair value	At amortised cost	
Quoted			
From public entities	31 168	26 433	57 601
Other			
From others	39 138	-	39 138
Total	70 306	26 433	96 738

Available-for-sale and Held-to-maturity financial assets

2014	Available-for-sale Debt securities	Total
(1 000 euros)	At fair value	
Quoted		
From public entities	40 751	40 751
Other		
From others	14 121	14 121
Total	54 872	54 872

NOTE 20: PLANT AND EQUIPMENT

(1 000 euros)	31.12.2015	31.12.2014
Machinery and equipment	214	89
Total plant and equipment	214	89

2015 (1 000 euros)	Machinery and equipment	Plant and equipment total
Changes in plant and equipment		
Acquisition cost 1 January	119	119
Increases	157	157
Acquisition cost 31 December	276	276
Accumulated depreciation and impairments 1 January	-30	-30
Depreciation for the financial year	-32	-32
Accumulated depreciation and impairments 31 December	-62	-62
Carrying amount 31 December	214	214

2014 (1 000 euros)	Machinery and equipment	Plant and equipment total
Changes in plant and equipment		
Acquisition cost 1 January	107	107
Increases	12	12
Acquisition cost 31 December	119	119
Accumulated depreciation and impairments 1 January	-10	-10
Depreciation for the financial year	-20	-20
Accumulated depreciation and impairments 31 December	-30	-30
Carrying amount 31 December	89	89

NOTE 21: INTANGIBLE ASSETS

(1 000 euros)	31.12.2015	31.12.2014
Intangible rights	1 742	1 322
Intangible assets under development	-	101
Total	1 742	1 424

2015 Changes in intangible assets (1 000 euros)	Intangible rights	Intangible assets under development	Intangible assets total
Acquisition cost 1 January	1 546	101	1 647
Increases	656		656
Transfers between items	101	-101	0
Acquisition cost 31 December	2 303	0	2 303
Accumulated depreciation and impairments 1 January	-223	0	-223
Amortisations for the financial year	-338		-338
Accumulated amortisation and impairments 31 December	-561	0	-561
Carrying amount 31 December	1 742	0	1 742

2014 Changes in intangible assets (1 000 euros)	Intangible rights	Intangible assets under development	Intangible assets total
Acquisition cost 1 January	308	0	308
Increases	1 238	101	1 339
Acquisition cost 31 December	1 546	101	1 647
Accumulated depreciation and impairments 1 January	0	0	0
Amortisations for the financial year	-223	0	-223
Accumulated amortisation and impairments 31 December	-223	0	-223
Carrying amount 31 December	1 322	101	1 424

NOTE 22: DEFERRED TAXES

(1 000 euros)	31.12.2015	31.12.2014
Deferred tax assets	1 253	0
Income tax receivable	-	-
Tax assets	1 253	0
Deferred tax liabilities	76	87
Income tax liability	-	19
Tax liability	76	105

(1 000 euros)	31.12.2015	31.12.2014
Deferred tax assets		
Impairment	7	0
Financial assets	2	0
Approved tax losses	1 244	-
Total	1 253	0

(1 000 euros)	31.12.2015	31.12.2014
Deferred tax liabilities		
Financial assets	18	16
Intangible assets	58	62
Other		9
Total	76	87

2015 (1 000 euros)	1.1.2015	Change recognised in profit or loss	Financial assets	31.12.2015
Laskennalliset verosaamiset				
Impairment		7	0	7
Financial assets	0		2	2
Approved tax losses		1 244		1 244
Total	0	1 251	2	1 253

Tax assets arising from confirmed unused tax losses are recognized to the extent that it is probable that future taxable profit will be available and the assets can be utilized.

SB Central Bank's losses have mainly arisen from significant business development projects during the time of Itella Bank and with the objective that taxable income would accrue in the coming years.

When determining the recognition principle for deferred tax assets, the management of SB Central Bank has assessed the SB Central Bank's future operations, taking into account the general market circumstances, the development prospects of Savings Banks Group, particularly with respect to refinancing, and changes in SB Central Bank's own operations. Evaluation of the future of the new business launched during the financial year, the issuing of payment cards, is based on the historical development of and realised data for the purchased card credit portfolio. According to the forecasts prepared, the result is expected to improve and start showing profit on a permanent basis

Based on management's estimate on the probability and the amount of future taxable profits, EUR 1 374 thousand of deferred tax assets have not been recognized. They relate to an amount of EUR 6 874 thousand of losses, which can be utilized against the future taxable profit. The tax losses will expire from 2019 to 2023.

2015 (1 000 euros)	1.1.2015	Change recognised in profit or loss	Financial assets	31.12.2015
Deferred tax liabilities				
Financial assets	16		1	18
Intangible assets	62	-12		49
Other	9	0		9
Total	87	-12	1	76

2014 (1 000 euros)	1.1.2014	Change recognised in profit or loss	Financial assets	31.12.2014
Deferred tax assets				
Financial assets	0		0	0
Approved tax losses				0
Total	0		0	0

2014 (1 000 euros)	1.1.2014	Change recognised in profit or loss	Financial assets	31.12.2014
Deferred tax liabilities				
Financial assets	0		16	16
Intangible assets	62			62
Other	3	6		9
Total	65	6	16	87

NOTE 23: OTHER ASSETS

(1 000 euros)	31.12.2015	31.12.2014
Payment transfer receivables	-	2
Accrued income and prepaid expenses	8 213	2 069
Interest	6 299	889
Other accrued income and prepaid expenses	1 914	1 180
Other	319	100
Total	8 532	2 171

LIABILITIES AND EQUITY

NOTE 24: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(1 000 euros)	31.12.2015	31.12.2014
Liabilities to credit institutions		
Liabilities to central banks	90 000	90 000
Liabilities to credit institutions	602 385	563 096
Total	692 385	653 096
Liabilities to customers		
Deposits	293	700
Other financial liabilities	20 000	0
Total	20 293	700
Total liabilities to credit institutions and customers	**712 678**	**653 796**

NOTE 25. DEBT SECURITIES ISSUED

(1 000 euros)	31.12.2015	31.12.2014
Measured at amortised cost		
Bonds	668 048	
Other		
Certificates of deposits	102 898	12 979
Total	770 947	12 979
Of which		
Variable interest rate	99 956	
Fixed interest rate	600 991	12 979
Total	700 947	12 979

Central Bank of Savings Banks Finland Plc issued an inaugural senior unsecured EUR 500 million bond in May 2015. The Euro-denominated benchmark bond has a loan period of five years.

The issuance was documented under the Central Bank's EMTN programme and it is listed on the Dublin stock exchange.

NOTE 26: OTHER LIABILITIES

(1 000 euros)	31.12.2015	31.12.2014
Other Liabilities	10 882	170
Accrued expenses		
Interest	4 410	29
Prepaid payments	331	-
Other accrued expenses	1 579	682
Total	17 202	881

SB Central Bank has not booked any provisions.

NOTE 27: CAPITAL AND RESERVES

(1 000 euros)	31.12.2015	31.12.2014
Share capital	40 000	40 000
Reserves		
Reserve for invested non-restricted equity	19 000	19 000
Fair value reserve	62	64
Retained earnings		
Profit (loss) for previous financial years	-12 758	-12 838
Profit (loss) for the period	339	80
Total capital and reserves	46 643	46 306

Share capital

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

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

Reserve for invested non-restricted equity

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

Fair value reserve

Fair value reserve includes items arising from fair value measurements and translation differences.

Retained earnings

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

Specification of changes in fair value reserve (1 000 euros)	2015	2014
Fair value reserve 1 January	80	-1
Profit/loss from fair value measurements, shares and participations	-34	81
Deferred tax from fair value measurements	15	-16
Fair value reserve 31 December	62	64

SB Central Bank's distributable funds amount to EUR 6 581 576.82. The SB Central Bank Board of Directors proposes to the Annual General Meeting that the profit for the financial year is entered as accumulated retained earnings with no dividend paid.

OTHER NOTES

NOTE 28: COLLATERAL GIVEN AND RECEIVED

(1 000 euros)	31.12.2015	31.12.2014
Given on behalf of Sb Central Bank's own liabilities and commitments		
Securities	101 760	95 272
Total colateral given	101 760	95 272
Securities	79 509	67 100
Other	1 500	38 150
Total collateral received	81 009	105 250

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

NOTE 29: OFF BALANCE-SHEET COMMITMENTS

(1 000 euros)	31.12.2015	31.12.2014
Loan commitments*	173 871	5 195
Off balance-sheet commitments	173 871	5 195

* The growth consists of granted unused card credits.

NOTE 30: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2015				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements		
	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Net amount
Liabilities						
Derivative contracts	-	-	-	366	1 500	1 866
Yhteensä	-	-	-	366	1 500	1 866

The derivative contracts of the SB Central Bank are subject to either ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services. 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 December 2014

No information to be presented related to the comparative period.

NOTE 31: FAIR VALUES BY VALUATION TECHNIQUE

Financial instruments are carried in the SB Central Bank's balance sheet at fair value or at amortized cost. The accounting policies (Note 2) describe the classification of financial assets and liabilities according to their valuation method, together with the criteria for the valuation techniques and fair value measurement.

The fair values of financial instruments are primarily determined by using publicly quoted prices or from market prices obtained from third parties. If no market quotation is available, the balance sheet items have mostly been measured by discounting future cash flows using the market interest rates on the reporting date. In the case of cash assets, the nominal value equals the fair value.

SB Central Bank has no non-recurring fair value measurements of assets.

Fair value hierarchy

Level 1 contains financial assets whose fair value is determined by quotations obtainable from active markets. A market is considered to be active, if the prices are readily and regularly available. Level 1 includes quoted bonds, other securities, stocks and derivatives with quoted prices.

Level 2 includes financial assets that are not traded in an active market, and whose fair value is determined by using valuation techniques or models. These are based on assumptions supported by observable market data, such as the quoted interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives, commercial papers and deposit certificates.

Level 3 includes financial assets whose fair value cannot be derived from public market quotations or through valuation techniques or models which are based on observable market data. Level 3 comprises unquoted equity instruments, structured investments and other securities for which there is currently no binding market quotation available. The fair value at level 3 is often based on price information received from a third party.

Transfers between the levels

Transfers between the levels of fair value hierarchy are considered to take place on the date when the event or change in circumstances causing the transfer occurred.

SB Central Bank has made no transfers between the levels during reporting period January to December 2015.

31.12.2015	Carrying amount	Fair values by valuation technique			Fair value
Financial assets (1 000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Available-for-sale financial assets	70 306	54 772	15 533		70 306
Measured at amortised cost					
Held-to-maturity assets	26 433	26 685			26 685
Loans and other receivables	1 439 433	538 616	816 350	81 191	1 436 157
Total financial assets	1 536 172	620 074	831 883	81 191	1 533 148

31.12.2015	Carrying amount	Fair values by valuation technique			Fair value
Financial liabilities (1 000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	366		366		366
Measured at amortised cost					
Other financial liabilities	1 483 625	586 678	896 935		1 483 613
Total financial liabilities	1 483 991	586 678	897 301	0	1 483 979

31.12.2014	Carrying amount	Fair values by valuation technique			Fair value
Financial assets (1 000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts					0
Available-for-sale financial assets	54 872	51 339	3 533		54 872
Measured at amortised cost					
Held-to-maturity assets					0
Loans and other receivables	655 511		655 788		655 788
Total financial assets	710 383	51 339	659 321		710 660

31.12.2014	Carrying amount	Fair values by valuation technique			Fair value
Financial liabilities (1 000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	-				0
Measured at amortised cost					
Other financial liabilities	666 775		666 775		666 775
Total financial liabilities	666 775	0	666 775	0	666 775

NOTE 32: OPERATING LEASES

Operating leases

Sb Central Bank acts as a lessee of office space.

(1 000 euros)	2015	2014
Future minimum lease payments under non-cancellable operating leases payable		
Less than one year	216	255
Between one and five years	190	407
Total	406	661 984

NOTE 33: RELATED PARTIES

The related parties of the Sb Central Bank's comprise the key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Sb Central Bank comprise the members and deputy members of the Supervisory Board, the members of the Board, the CEO and his deputy. The changes during the financial year are related to changes in Board members.

SB Central Bank has granted no related party loans and has no related party business activities.

Key management personnel compensation* (1 000 euros)	2015	2014
Short-term employee benefits	455	351
Total	455	351

Key personnel compensation*

2015 (1 000 euros)	Salary and remuneration	Statutory pension expenses
Lanteri Hannu, Managing Director	242	41
Brander Kai, Deputy Managing Director	163	27
Kämäri Pasi, Chairman of the Board of Directors	5	-
Huupponen Juhani, Deputy Chairman of the Board of Directors	8	-
Finne Peter	6	-
Moilanen Markku	6	-
Rinta Jarmo	6	-
Seppälä Risto	6	-
Suominen Jukka	6	-
Syvänen Hannu	6	-
Total	455	68

Key personnel compensation*

2014 (1 000 euroa)	Salary and remuneration	Statutory pension expenses
Lanteri Hannu, Managing Director	213	40
Brander Kai, Deputy Managing Director	138	25
Total	351	64

* Key persons to whom compensation was paid.

NOTE 34: SUBSEQUENT EVENTS

On 19 January 2016, SB Central Bank issued a 2-year variable-rate senior bond amounting to EUR 250 million under its EMTN programme.

PILLAR III DISCLOSURES

SB Central Bank is part of the Savings Banks Amalgamation and the Savings Banks Group. SB Central Bank's capital adequacy information is included in the information concerning the capital adequacy of the Savings Banks Amalgamation, presented in the consolidated financial statements of the Savings Banks Group. The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010). A copy of the financial statement of the Savings Banks Group is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

The original Annual Report is in Finnish. This is an English version thereof.