



**CENTRAL BANK OF SAVINGS BANKS FINLAND PLC
INTERIM REPORT FOR 1 JANUARY – 30 JUNE 2015**

INTERIM REPORT FOR 1 JANUARY–30 JUNE 2015

Table of contents

Board of Directors' report for 1 January – 30 June 2015	3	Liabilities	24
Amalgamation of Savings Banks and the Savings Banks Group	3	Note 11. Deferred taxes	24
Development in the operating environment	3	Note 12. Liabilities to credit institutions and customers	25
Central Bank of Savings Banks Finland Plc's profit and balance sheet	5	Note 13. Debt securities issued	26
The capital adequacy and risk position	6	Other notes	27
Credit rating	7	Note 14. Fair values by valuation technique	27
Significant events after the interim period	7	Note 15. Offsetting of financial assets and financial liabilities	29
Outlook towards the year end	7	Note 16. Collateral given and received	30
Interim report	9	Note 17. Off balance-sheet commitments	31
Income statement	9	Note 18. Related parties	32
Statement of comprehensive income	9	Capital adequacy information	33
Statement of financial position	10		
Statement of cash flows	11		
Statement of changes in equity	13		
Basis of preparation	14		
Note 1. Information on the reporting company and description of the Savings Banks Group	14		
Profit for the period	15		
Note 2. Accounting policies	15		
Note 3. Segment information	16		
Note 4. Net interest income	17		
Note 5. Net fee and commission income	18		
Note 6. Net trading income	19		
Assets	20		
Note 7. Classification of financial assets and financial liabilities	20		
Note 8. Loans and receivables	21		
Note 9. Derivatives and hedge accounting	22		
Note 10. Investment assets	23		

BOARD OF DIRECTORS' REPORT FOR 1 JANUARY – 30 JUNE 2015

At the beginning of 2015 the Central Bank of Savings Banks Finland Plc (hereafter SB Central Bank) has significantly expanded its treasury services provided to the Savings Banks Amalgamation. As a result of the increased treasury services the balance sheet value of SB Central Bank has increased strongly to a total value of EUR 1 427 million. At the beginning of April the credit rating agency Standard & Poor's Rating Services (S&P) granted an international credit rating to the SB Central Bank. At the same time SB Central Bank established its first Euro Medium Term Note (EMTN) programme, which is listed in the Irish Stock Exchange. An inaugural 5-year EUR 500 million unsecured senior bond was issued within the programme.

According to its strategy, SB Central Bank has continued the development of the central credit institution services during the reporting period. Amongst the development areas, one specific area has been the preparation to acquire the credit portfolio attached to the credit cards and to act as the payment card issuer for the banks of the Amalgamation starting in late 2015. As a result of the development phase of the business, a lot of resources have been required in carrying on the service developments, especially in the treasury and payment card services. Business development efforts during the beginning of the year have weakened the result, as expected. Additionally, the result has been weakened by the development of the interest rate markets which has decreased the net interest income. The profit before tax of SB Central Bank for the financial period January to June 2015 showed a loss of EUR 233 thousand.

Amalgamation of Savings Banks and the Savings Banks Group

The Savings Banks Group (hereafter Group) is the most long-standing banking group in Finland. It comprises 23 Savings Banks, which formed the Savings Banks Amalgamation, the Savings Banks Union Coop, which acts as the central institution and the subsidiaries and associated companies owned by Savings Banks.

The member organizations of the Savings Banks Amalgamation (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 above-mentioned 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 Sp-Life Insurance Ltd and Sp-Koti Ltd.

The Board of The Savings Banks Union Coop has proposed to Savings Banks belonging to the Amalgamation to establish a mortgage bank (SP-Mortgage Bank Plc). The main objective of the SP-Mortgage Bank is to issue euro-denominated, mortgage-backed covered bonds (CB). SP-Mortgage Bank is part of the Amalgamation and will become a member bank of the Savings Banks Union Coop. Only Savings Banks belonging to the Amalgamation are allowed to act as its intermediary banks.

Additional information on the group structure of the Savings Banks Group is available online at www.saastopankki.fi/saastopankkiryhma.

Development in the operating environment

In the first half of 2015 the economic outlook of Europe was recovering, resulting from the stimulating measures of the Central Bank as well as the improved competitiveness resulting from the weakening euro. Economic growth was seen to slow down in different areas of economy in the United States during the first quarter and expectations on the changes in the monetary policy of the Central Bank resulted as uncertainty. Although the global economic outlook has improved gradually, also the risks regarding the global market stability have increased. Especially the situation in the emerging economies is subject to significant risk factors, of which negative effects may be reflected also in Europe and in the United States.

The purchase programme established by the European Central Bank in March 2015, is a significant step towards obtaining the economy in to a growth track in the eurozone. The actual rate of inflation has remained low during recent years and therefore the price stability has become a threat to the economy in the eurozone. Inflation rate expectations have recovered during the first half of the year and therefore the monetary measures of the European Central Bank can be considered successful, at least in this regard. The European Central Bank has committed to continue its stimulating monetary policy until the autumn 2016, although it is likely that the first raise in interest rates takes place during 2017 at the earliest.

In the United States, the Central Bank is preparing to raise its federal funds rate for the first time in almost seven years. The outlook of the labour market has improved significantly, which in turn supports the gradual tightening of the monetary policy. The United States economy has acted as the driver of the global economy recently and its future growth is expected to remain stronger than in other economies.

Conditions for export driven growth of the Finnish economy have also improved as a result of the strengthened competitiveness following the weakening euro, although the effects remain lower than in other parts of the Europe. The Finnish GDP was negative during the first quarter of the year and therefore Finnish economic outlook was also poorer compared to the rest of the Europe. Tensions in geopolitical situation have had negative effects on the Finnish economy and export to Russia has decreased significantly. Measures to stabilize the public finance and to improve productivity have begun under the leadership of the new government. Finnish credit rating will remain under pressure, which, more than before highlights the importance of the scale and timing of the measures. Failure in implementing the adaptation measures included in the government programme would result in a decline in Finland's credit rating and additionally the situation in Finland would be monitored under the European Commission Excessive Deficit Procedures.

Investment markets performed exceptionally strong during the first quarter, as share prices reached new record high levels and the long-term interest rates fell sharply. Returns were positive in almost all asset classes and the ECB purchase program had a significant impact on investor confidence. A significant

turnaround was experienced in the markets during the second quarter, as interest rates turned in to a sharp rise, which led to the strengthening of the euro and uncertainty in the stock markets. Uncertainty in the markets will become emphasized during the rest of the year as the Central Bank of the United States will change the direction of its monetary policy. The prolonged environment of low interest rates has formed a dependency between the investment markets and the liquidity offered by the central banks. Even small changes in the monetary policy may lead to strong movements in the investment markets.

The Finnish housing markets have had a very volatile beginning of the year and the number of housing transactions increased strongly from January to March, compared to 2014. Immediately after this, in April, the number of housing transactions sank to a lower level compared to the previous year, and

thus the total amount of housing transactions during the first half of the year, has been almost at the same level as during the comparative period in 2014.

Housing prices have continued to diverge between the capital region, growth centers and small towns. Prices have already risen in the larger housing market areas, whereas in the regions suffering from migration losses there has been a slight decline in the prices.

The future looks slightly brighter. Strengthening consumer confidence and small increase in the activity in the construction industry, are amongst few examples of this. In addition, the smoothly proceeded government negotiations give faith in straightforward politics. Also the resolutions regarding the salaries will give faith in forward looking co-operation.

Central Bank of Savings Banks Finland Plc's profit and balance sheet

Key figures

(1 000 euros)	6/2015	12/2014	6/2014
Revenue	5 945	4 888	1 569
Net interest income	388	154	52
% of revenue	6.5%	3.1%	3.3%
Profit before tax	-233	104	-350
% of revenue	-3.9%	2.1%	-22.3%
Total operating revenue	2 744	4 360	1 378
Total operating expenses	-2 812	-4 013	-1 601
Cost to income ratio	1.1	1.0	1.3
Total assets	1 427 209	714 067	154 496
Total equity	47 353	46 306	45 823
Return on equity %	2.2%	0.2%	-1.2%
Return on assets %	0.1%	0.0%	-0.3%
Equity/assets ratio %	3.3%	6.5%	29.7%
Solvency ratio %	39.0%	145.6%	219.5%

Financial performance (comparative information 1-6/2014)

SB Central Bank's profit before tax was EUR -233 thousand and -3.9% of the revenue in the reporting period January to June 2015 (respectively EUR -350 thousand and -22.3% during the comparative period January to June 2014). Due to the changes in the SB Central Bank's operations, profits of the reporting and comparative periods are not directly comparable. Development of the SB Central Bank's functions was continued further during the reporting period, particularly in the payment card business and treasury services areas, which burdened the profit.

SB Central Bank's total operating revenue was EUR 2 744 thousand in the reporting period. Of the operating revenue, net interest income amounted to EUR 388 (52) thousand, net fee and commission income to EUR 798 (126) thousand, net trading income to EUR -655 (0) thousand and other operating revenue to EUR 2 214 (1 200) thousand. The most significant proportion of the interest income of EUR 2 722 (150) was comprised of the interest income from credit institutions, whereas the most significant proportion of the interest expenses was comprised of the interest expenses from debts to credit institutions and issued bonds. To limit the interest rate risk, fair value hedging was carried out during the reporting period. Hedging improved the net interest income by EUR 678 thousand. Net interest income of the reporting period was still burdened by the overall low interest rate level and the negative interest rates of the central bank deposits.

Fee and commission income amounted to EUR 1 664 (219) thousand and fee and commission expenses to EUR 866 (92) thousand in the reporting period. The most significant proportion of the net fee and commission income consisted of the payment transfer services provided to the Savings banks.

The net result of the hedge accounting, started in the reporting period, was EUR -655 thousand and it is presented in the income statement under net trading income.

Operating expenses of the reporting period amounted to EUR 2 812 (1 601) thousand. The cost/income ratio was 1.1. The increase in the expenses was considerably affected by SB Central Bank's emphasis on development. Reporting and comparative periods are not directly comparable as the central credit institution operations had not been started during the comparative period.

Taxes of SB Central Bank were EUR 1 269 thousand. High positive tax effect (deferred tax income) during the reporting period is due to the deferred taxes recorded in the reporting period based on previously generated losses. The Tax Administration granted SB Central Bank a tax deductibility of the losses in early 2015.

Balance sheet and financing (comparative information 31 December 2014)

SB Central Bank's balance sheet value continued to increase significantly during the reporting period and amounted to EUR 1 427 million on the 30th of June 2015 (respectively EUR 714 million in the comparative period 12/2014). The increase was most significantly affected by the bonds issued, which amounted to EUR 689 (13) million at the end of the reporting period.

During the reporting period SB Central Bank issued an EUR 500 million unsecured senior bond, maturing on the 6th of May 2020. The bond was issued under the new Euro Medium Term Note (EMTN) programme and is listed on the Irish Stock Exchange. The bond has an annual coupon of 1.00%. In addition to the EMTN bond, SB Central Bank has issued private placement bonds during the reporting period.

As a result of the issuance, the amount of loans granted to the Savings Banks increased up to EUR 510 (142) million.

The total equity of SB Central Bank was EUR 47 (46) million, with an increase of 2.2%. The change in the equity is due to the net profit of the reporting period. The return on equity was 2.2% (0.2%). Return on assets was 0.1% (0.0%).

The capital adequacy and risk position

Capital adequacy (comparative information 31 December 2014)

At the end of June 2015 SB Central Bank's capital structure was strong and consisted entirely of common equity tier 1, core capital (CET1). Total own funds amounted to EUR 46 (45) million. Risk-weighted assets were EUR 117 (31) million, i.e. 87 million euros higher than at the end of last year. The most significant change in the increase of risk-weighted assets was the growth of loans granted to the Savings Banks. SB Central Bank's capital adequacy ratio was 39.7 (145.6)% and the CET 1 capital adequacy ratio was also 39.7 (145.6)%.

SB Central Bank's capital adequacy is calculated according to the new requirements. From the beginning of 2015, capital adequacy requirement for banks increased as capital conservation buffer and countercyclical capital buffer were

introduced in Finland. Minimum capital adequacy ratio was increased from 8% to 10.5% by the capital conservation buffer. Countercyclical capital buffer will vary between 0 to 2.5 percentage points. The decision to establish and the size of the additional countercyclical capital buffer will be made by the Supervisory Board of the Financial Supervisory Authority quarterly on the basis of its macroprudential analysis. The Supervisory Board of the Financial Supervisory Authority made their first decision on the 16th of March 2015, according to which a countercyclical capital buffer was not set for banks. In addition, the Financial Supervisory Authority will determine additional capital requirements for systemically important credit institutions during 2015.

SB Central Bank applies the standard method in calculating the credit risk capital requirement and the basic method in calculating the operational risk capital requirement.

Own funds

(1 000 euros)	30.6.2015	31.12.2014
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	47 353.3	46 305.9
Regulatory adjustments to Common Equity Tier 1 (CET1)	-1 601.1	-1 489.6
Common Equity Tier 1 (CET1) capital	45 752.2	44 816.4
Tier 1 capital (T1 = CET1 + AT1)	45 752.2	44 816.4
Tier 2 (T2) capital before regulatory adjustments	0.0	65.7
Tier 2 (T2) capital	0.0	65.7
Total capital (TC = T1 + T2)	45 752.2	44 882.0
Total risk weighted assets	115 366.9	30 790.1
of which: credit risk	110 687.3	26 288.8
of which: credit valuation adjustment (CVA)	178.2	0.0
of which: operational risk	4 501.4	4 501.4
Common Equity Tier 1 (as percentage of risk-weighted assets)	39.7	145.6
Tier 1 (as percentage of risk-weighted assets)	39.7	145.6
Total capital (as percentage of risk-weighted assets)	39.7	145.8

Risk position

Risk management objectives, principles and organization in SB Central Bank are the same as those presented in the 2014 financial statements. Only the definitions of liquidity risk and interest rate risk have been updated and concentration risk added to the list.

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 in the costs of required refinancing may also be defined as liquidity risk. Liquidity risk can be more precisely divided into short-term liquidity risk and long-term financing risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid funds to guarantee liquidity. Due to the significant and rapid changes in the nature of its operation, SB Central Bank has maintained a large liquidity buffer during the reporting period.

The credit rating the bank received from S&P opened foreign financing channels, and thus expanded the financing opportunities considerably. The credit rating enabled public issuances targeted mainly overseas and private placement transactions. On this basis, the bond issuance of EUR 500 million executed at the turn of April and May and 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 emissions have strengthened the Bank's LCR-ratio. SB Central Bank's LCR-ratio was 192.7% on the 30th of June 2015.

Interest rate risk

Interest rate risk is the effect of interest rates 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 receivables 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 uses the present value method to monitor its interest rate risk, and in addition, from the financial year 2015 onwards also the income risk method.

Concentration risk

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

More specific information on the risks and risk management of SB Central Bank is presented on the financial statements of 31st December 2014.

Credit rating

Credit rating agency Standard & Poor's Rating Services (S&P) granted the Central Bank of Savings Banks Finland Ltd a credit rating of 'A-' for long-term investment grade and a rating of 'A-2' for short-term investment grade on 7 April 2015. The outlook is negative.

The granted rating reflects an assessment made based on the criteria used by S&P. The assessment reviewed, for example, the business status of the Savings Banks Group, its financial performance, capital and liquidity buffers, risk profiling and fundraising. The negative outlook from the S&P is due to the state of the Finnish national economy and its potential impacts on Finnish banks. The introduction of EU level regulation is also still incomplete, for example in regard to the bank union and implementation of investor responsibility, which is reflected in S&P's outlook.

Significant events after the interim period

The Board of Directors of SB Central Bank is not aware of any factors, which would materially influence the financial position of the bank after the completion of the interim financial statements.

Outlook towards the year end

At the end of 2015 SB Central Bank will take on the role of issuing of the Savings Banks Group's credit and debit cards, as well as acquires the credit portfolio attached to the credit cards from Nets Ltd. Moreover, changes in the businesses and expansion as well as the general economic situation together with low interest rates, more of which have already been described under the section: Development in the operating environment, will have an effect on the performance and development of refinancing of SB Central Bank. SB Central Bank's profit before tax is estimated to be slightly profitable.

Information

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The figures of the interim financial report have not been audited.

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

Calculation of key figures:

Revenues: Interest income, fee income, net trading income, net investment income, other operating revenue

Total operating revenue: Net interest income, net fee and commission income, net trading income, net investment income, other operating revenue

Total operating expenses: Personnel expenses, other operating expenses (excluding depreciations)

Cost to income ratio:

Total operating expenses

Total operating revenues

Return on equity %:

Profit * 100

Equity (average)

Return on assets %:

Profit * 100

Average total assets

Equity/assets ratio %:

Equity * 100

Total assets

Capital adequacy ratio, %:

Capital and reserves total * 100

Risk-weighted items total

INTERIM REPORT

Income statement

(1 000 euros)	Note	1-6/2015	1-6/2014
Interest income		2 722	150
Interest expense		-2 335	-98
Net interest income	4	388	52
Net fee and commission income	5	798	126
Net trading income	6	-655	0
Other operating revenue		2 214	1 200
Total operating revenue		2 744	1 378
Personnel expenses		-1 094	-959
Other operating expenses		-1 718	-642
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-166	-128
Total operating expenses		-2 978	-1 728
Profit before tax		-233	-350
Taxes		1 269	0
PROFIT		1 036	-350

Statement of comprehensive income

(1 000 euros)	1-6/2015	1-6/2014
PROFIT	1 036	-350
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified to profit or loss:		
Changes in fair value reserve		
Fair value measurements of available-for-sale assets	12	11
Total	12	11
TOTAL COMPREHENSIVE INCOME	1 047	-339

Statement of financial position

(1 000 euros)	NOTE	30.6.2015	31.12.2014
Assets			
Cash and cash equivalents		814 662	513 509
Loans and advances to credit institutions	8	520 361	141 697
Loans and advances to customers	8	361	305
Investment assets	10	83 524	54 872
Property, plant and equipment		141	89
Intangible assets		1 601	1 424
Tax assets	11	1 249	0
Other assets		5 311	2 171
Total assets		1 427 209	714 067
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	12	661 449	653 096
Liabilities to customers	12	20 324	700
Derivatives	9	6 077	-
Debt securities issued	13	689 382	12 979
Tax liabilities	11	84	105
Provisions and other liabilities		2 539	881
Total liabilities		1 379 856	667 761
Equity			
Share capital		40 000	40 000
Reserves		19 076	19 064
Retained earnings		-11 722	-12 758
Total equity		47 353	46 306
TOTAL LIABILITIES AND EQUITY		1 427 209	714 067

Statement of cash flows

(1 000 euros)	1-6/2015	1-6/2014
Cash flows from operating activities		
Profit	1 036	-390
Adjustments for items without cash flow effect	802	167
Change in deferred tax	-1 250	0
Income taxes paid	-3	0
Cash flows from operating activities before changes in assets and liabilities	584	-222
Increase (-) or decrease (+) in operating assets	-411 697	-18 027
Available-for-sale financial assets	-28 638	-5 052
Loans and advances to credit institutions	-379 863	-13 600
Loans and advances to customers	-56	5
Increase in held-to-maturity financial assets		
Decrease in held-to-maturity financial assets		999
Other assets	-3 140	-380
Increase (-) or decrease (+) in operating liabilities	711 461	63 504
Liabilities at fair value through profit or loss		
Liabilities to credit institutions	8 353	62 780
Liabilities to customers	19 623	-1 194
Debt securities issued	681 826	999
Other liabilities	1 659	920
Total cash flows from operating activities	300 348	45 255
Cash flows from investing activities		
Investments in investment property and in tangible and intangible assets	-395	-1 190
Disposals of investment property and tangible and intangible assets		
Total cash flows from investing activities	-395	-1 190
Cash flows from financing activities		
Increase in basic capital		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		
Changes in fair value	655	
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	166	167
Other adjustments		
Income taxes	1 232	0
Total	2 052	167

(1 000 euros)	1-6/2015	1-6/2014
Change in cash and cash equivalents	299 954	79 064
Cash and cash equivalents at the beginning of financial period	517 649	27 588
Cash and cash equivalents at the end of financial period	817 603	106 653
Cash and cash equivalents comprise the following items:		
Cash	814 662	103 825
Receivables from central banks repayable on demand	2 941	2 828
Total cash and cash equivalents	817 603	106 653
Interest received	814	95
Interest paid	757	72
Dividends received	0	0

Statement of changes in equity

(1 000 euros)	Share capital	Other reserves	Retained earnings	Total
Equity 1 January 2014	5 000	18 999	-12 838	11 162
Comprehensive income				
Profit			-350	-350
Other comprehensive income		11		11
Total comprehensive income	0	11	-350	-339
Subscription issue	35 000	0	0	35 000
Total equity 30 June 2014	40 000	19 011	-13 188	45 823
Equity 1 January 2014	5 000	18 999	-12 838	11 162
Comprehensive income				
Profit			80	80
Other comprehensive income		65		65
Total comprehensive income	0	65	80	145
Subscription issue	35 000	0	0	35 000
Total equity 31 December 2014	40 000	19 064	-12 758	46 306
Equity 1 January 2015	40 000	19 064	-12 758	46 306
Comprehensive income				
Profit			1 036	1 036
Other comprehensive income		12		12
Total comprehensive income	0	12	1 036	1 047
Total equity 30 June 2015	40 000	19 076	-11 722	47 353

BASIS OF PREPARATION

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

Central Bank of Savings Banks Finland Ltd (hereafter 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. SB Central Bank's principal owners are the 23 Savings Banks of the Amalgamation, plus one Savings Bank outside the Amalgamation.

SB Central Bank belongs to the Savings Banks Group which is the most longstanding banking group in Finland. It comprises 23 Savings Banks, which 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 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 above-mentioned 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 Sp-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 obliged to prepare consolidated financial statements for the Group including also SB Central Bank in proportion with 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, to which SB Central Bank also belongs.

PROFIT FOR THE PERIOD

NOTE 2. ACCOUNTING POLICIES

1. General

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as implemented within the EU.

The interim report has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the interim report are essentially the same as in the financial statement of 2014.

Changes in the accounting policies during the reporting period:

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 portfolio.

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". The interest accruals of the hedging derivatives are shown as an adjustment of interest expenses.

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.

The Group's consolidated financial statements are prepared in euros, which is the accounting and operational currency of the Bank. The interim report is presented in euros unless otherwise stated.

The Savings Banks Group will publish only one interim report during the year 2015.

The figures of the interim financial report have not been audited.

SB Central Bank's financial statements and interim report are available at the website www.spkeskuspankki.fi or at the premises, address Hevosenkenkä 3, FI-02600 Espoo.

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

2. Critical accounting estimates and judgments

IFRS-compliant financial statements require the Group'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 the Group 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.

Compared to the 2014 financial statements, the following changes have occurred in the critical accounting estimates and judgments required to be done by the management:

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. Return estimates of the credit card portfolio which will be purchased during the financial year, is based on the actual figures of the existing credit portfolio.

NOTE 3. SEGMENT INFORMATION

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

NOTE 4. NET INTEREST INCOME

(1 000 euros)	1-6/2015	1-6/2014
Interest income		
Debts eligible for refinancing with Central Bank	1	0
Loans and advances to credit institutions	1 014	92
Loans and advances to customers	47	0
Debt securities	75	57
Derivative contracts		
Hedging	1 312	-
Other	275	-
Total	2 722	150
Interest expense		
Liabilities to credit institutions	-572	-98
Liabilities to customers	-64	
Debt securities issued	-1 065	0
Derivative contracts		
Hedging	-634	-
Total	-2 335	-98
Net interest income	388	52

NOTE 5. NET FEE AND COMMISSION INCOME

(1 000 euros)	1-6/2015	1-6/2014
Fee and commission income		
Lending	41	
Deposits	0	0
Payment transfers	1 267	4
Other	356	214
Total	1 664	219
Fee and commission expense		
Payment transfers	-90	-6
Securities	-9	-1
Other	-768	-85
Total	-866	-92
Net fee and commission income	798	126

NOTE 6. NET TRADING INCOME

(1 000 euros)	1-6/2015	1-6/2014
Net income from hedge accounting		
Change in hedging instruments' fair value	-6 077	-
Change in hedged items' fair value	5 423	-
Total	-655	0

ASSETS

NOTE 7. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30 June 2015 (1 000 euros)	Loans and other receivables	Available-for-sale	Total
Cash and cash equivalents	814 662	-	814 662
Loans and advances to credit institutions	520 361	-	520 361
Loans and advances to customers	361	-	361
Investment assets	-	83 524	83 524
Total assets	1 335 384	83 524	1 418 908

30 June 2015 (1 000 euros)	Other financial liabilities	Available-for-sale	Total
Liabilities to credit institutions	661 449	-	661 449
Liabilities to customers	20 324	-	20 324
Derivatives	6 077	-	6 077
hedging derivatives	6 077	-	6 077
of which fair value	6 077	-	6 077
Debt securities issued	689 382	-	689 382
Total liabilities	1 377 232	0	1 377 232

31 December 2014 (1 000 euros)	Loans and other receivables	Available-for-sale	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
Total assets	655 511	54 872	710 383

31 December 2014 (1 000 euros)	Other financial liabilities	Available-for-sale	Total
Liabilities to credit institutions	653 096	-	653 096
Liabilities to customers	700	-	700
Debt securities issued	12 979	0	12 979
Total liabilities	666 775	0	666 775

NOTE 8. LOANS AND RECEIVABLES

(1 000 euros)	30.6.2015	31.12.2014
Loans and advances to credit institutions		
Deposits	10 741	16 140
Loans and other receivables*	509 620	125 557
Total	520 361	141 697
Loans and receivables to customers		
Account credits in use**	361	305
Total	361	305

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

** Credit rating A or better

Impairment losses on loans and other receivables	Measured by individual contract
Impairments 1 January 2015	10
Impairments 30 June 2015	10
Impairments 1 January 2014	10
Impairments 31 December 2014	10

Changes in the carrying amount of impaired loans and receivables	1-6/2015	1-12/2014
Impaired loans and receivables 1 January	10	10
Impaired loans and receivables at the end of the period	10	10

NOTE 9. 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.

(1 000 euros)	Nominal value / remaining maturity		Fair value	
	1 - 5 years	Total	Assets	Liabilities
30 June 2015				
Hedging derivative contracts				
Fair value hedging	450 000	450 000		6 077
Interest rate derivatives	450 000	450 000	-	6 077
Total	450 000	450 000	0	6 077

31 December 2014

No information to be presented regarding the comparative period.

NOTE 10. INVESTMENT ASSETS

(1 000 euros)	30.6.2015	31.12.2014
Available-for-sale financial assets		
Debt securities *	83 524	54 872
Total	83 524	54 872
Total investment assets	83 524	54 872

* Credit ratings for year 2015:

- AAA: 6 019 thousand euros
- AA+: 54 399 thousand euros
- not credit rated: 23 107 thousand euros

Available-for-sale financial assets (1 000 euros) 30 June 2015		
	Available-for-sale Debt securities	
	At fair value	Total
Quoted		
From public entities	60 417	60 417
Other		
From others	23 107	23 107
Total	83 524	83 524

Available-for-sale financial assets (1 000 euros) 31 December 2014		
	Available-for-sale Debt securities	
	At fair value	Total
Quoted		
From public entities	40 751	40 751
Other		
From others	14 121	14 121
Total	54 872	54 872

LIABILITIES

NOTE 11. DEFERRED TAXES

30.6.2015

(1 000 euros)	1.1.2015	Financial assets	Other	30.6.2015
Deferred tax assets				
Financial assets	0	1		1
Approved tax losses			1 244	1 244
Total	0	1	1 244	1 245

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.

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.

(1 000 euros)	1.1.2015	Financial assets	Other	30.6.2015
Deferred tax liabilities				
Financial assets	16	4		20
Intangible assets	62	-6		55
Other	9			9
Total	87	-2	0	84

31.12.2014

(1 000 euros)	1.1.2014	Financial assets	Other	31.12.2014
Deferred tax assets				
Financial assets	0	0		0
Approved tax losses				
Total	0	0	-	0

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

NOTE 12. LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(1 000 euros)	30.6.2015	31.12.2014
Liabilities to credit institutions		
Liabilities to central banks	90 000	90 000
Liabilities to credit institutions	571 449	563 096
Total	661 449	653 096
Liabilities to customers		
Deposits	20 324	700
Total	20 324	700
Total liabilities to credit institutions and customers	681 773	653 796

NOTE 13. DEBT SECURITIES ISSUED

(1 000 euros)	30.6.2015	31.12.2014
Measured at amortised cost		
Other		
Bonds	592 645	-
Debt securities	96 737	12 979
Total	689 382	12 979

Central Bank of Savings Banks Finland Plc, which belongs to the Savings Banks Group, issued an inaugural senior unsecured EUR 500 million bond in May 2015. The Euro-denominated benchmark bond has a loan period of five years and the loan has a fixed annual coupon rate of 1%.

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

OTHER NOTES

NOTE 14. FAIR VALUES BY VALUATION TECHNIQUE

Financial assets (1 000 euros)	Fair value		
30 June 2015	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	70 995	12 529	83 524
Measured at amortised cost			
Loans and other receivables	-	-	1 337 983
Total financial assets	70 995	12 529	1 421 507

Financial assets (1 000 euros)	Carrying amount		
30 June 2015	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	70 995	12 529	83 524
Measured at amortised cost			
Loans and other receivables	-	-	1 335 384
Total financial assets	70 995	12 529	1 418 908

Financial liabilities (1 000 euros)	Fair value		
30 June 2015	Level 1	Level 2	Total
Measured at fair value			
Derivative contracts	-	6 077	6 077
Measured at amortised cost			
Other financial liabilities	-	-	1 378 098
Total financial liabilities	-	6 077	1 384 175

Financial liabilities (1 000 euros)	Carrying amount		
30 June 2015	Level 1	Level 2	Total
Measured at fair value			
Derivative contracts	-	6 077	6 077
Measured at amortised cost			
Other financial liabilities	-	-	1 371 155
Total financial liabilities	0	6 077	1 377 232

Fair value measurement

Financial instruments are carried in the Group's balance sheet at fair value or at amortized cost. The accounting policies (NOTES 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. Similarly, in the case of deposits repayable on demand the nominal value is deemed to correspond to fair value.

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

Fair value hierarchies

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.

SB Central Bank has no financial assets in Level 3.

Transfers between the levels

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

Financial assets (1 000 euros)	Fair value		
31 December 2014	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	51 339	3 533	54 872
Measured at amortised cost			
Loans and other receivables		655 788	655 788
Total financial assets	51 339	659 321	710 660

Financial assets (1 000 euros)	Carrying amount		
31 December 2014	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	51 339	3 533	54 872
Measured at amortised cost			
Loans and other receivables		655 511	655 511
Total financial assets	51 339	659 044	710 383

Financial liabilities (1 000 euros)	Fair value		
31 December 2014	Level 1	Level 2	Total
Measured at fair value			
Measured at amortised cost			
Other financial liabilities	-	666 450	666 450
Total financial liabilities		666 450	666 450

Financial liabilities (1 000 euros)	Carrying amount		
31 December 2014	Level 1	Level 2	Total
Measured at fair value			
Measured at amortised cost			
Other financial liabilities	-	666 775	666 775
Total financial liabilities		666 775	666 775

NOTE 15. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30 June 2015				Amounts, which are not offset but are subject to enforceable master netting arrangements or similar		
				Financial instruments	Financial instruments held as collateral	Net amount
(1 000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in	Carrying amount in balance sheet, net			
Liabilities						
Derivative contracts	-	-	-	6 077	7 800	13 877
Total	-	-	-	6 077	7 800	13 877

The derivative contracts of 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 16. COLLATERAL GIVEN AND RECEIVED

(1 000 euros)	30.6.2015	31.12.2014
Given on behalf of Sb Central Bank's own liabilities and commitments		
Securities	111 425	95 272
Other	7 800	-
Total colateral given	119 225	95 272
Securities	75 125	67 100
Other	38 150	38 150
Total collateral received	113 275	105 250

Collateral given and held are related to participating in ECB funding operations, collateral required for the ECB TARGET2-account and margin deposits related to derivatives.

NOTE 17. OFF BALANCE-SHEET COMMITMENTS

(1 000 euros)	30.6.2015	31.12.2014
Loan commitments	5 139	5 195
Off balance-sheet commitments	5 139	5 195

NOTE 18. RELATED PARTIES

The related parties of 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 SB Central Bank comprise the members and deputy members of the Supervisory Board, the members of the Board, the CEO and his deputy.

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

CAPITAL ADEQUACY INFORMATION

SB Central Bank is a member of the Savings Banks Amalgamation. The information concerning SB Central Bank's capital adequacy is included in the consolidated financial statement of the Savings Banks Amalgamation. The exemptions referred to in Sections 21 and 21a of the Act on the Amalgamation of Deposit Banks do not apply to SB Central Bank. A copy of the financial statement of the Savings Banks Amalgamation is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.