OMA SAVINGS BANK LTD

BALANCE SHEET BOOK 2014

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Report by the Board of Directors for the Financial Period 1 January – 31 December 2014

Oma Savings Bank Ltd is an independent savings bank. The bank currently operates in the regions of South Karelia, Kymenlaakso, South Savo, South Ostrobothnia, Pirkanmaa, Häme and Satakunta. The majority of the bank's clientele consists of private customers and small businesses.

During 2014, Kantasäästöpankki Ltd and Etelä-Karjala Savings Bank Ltd merged with Oma Savings Bank Ltd by way of an absorption merger on 31 March 2014 and 30 November 2014, respectively. On 31 May 2014, Suodenniemi Savings Bank turned its business operations over to Oma Savings Bank Ltd, upon which Suodenniemi Savings Bank was converted into a foundation named Suodenniemi Savings Bank Foundation. The savings bank foundations of Töysä, Kuortane, Parkano, Renko, Hauho, Suodenniemi and South Karelia are the owners of Oma Säästöpankki Ltd.

The number of the bank's customers amounted to nearly 113,700at the end of the financial period. The bank has a total of 38 branch offices in Akaa, Alajärvi, Alavus, Hamina, Hauho, Hyllykallio, Häijää, Hämeenlinna, Ilmajoki, Imatrankoski, Jalasjärvi, Joutseno, Kankaanpää, Karvia, Kauhajoki, Kihniö, Kotka, Kouvola, Kuortane, Kurikka, Lappeenranta, Lehtimäki, Lemi, Lempäälä, Mikkeli, Parikkala, Parkano, Renko, Riihimäki, Savitaipale, Seinäjoki, Suodenniemi, Taavetti, Tampere, Tuuri, Töysä, Vesilahti and Vuoksenniska. In addition to the services offered by the branches, the customers use online banking, self-service machines and cash dispensers. The proportion of self-service of all basic customer service transactions was 94.0 per cent in 2014. At the end of the year, more than 42,400 of the bank's customers had an online banking agreement.

In order to improve comparability, Oma Savings Bank Ltd has prepared unofficial consolidated accounts of principal profit and loss and balance sheet items that are used in the Board of Directors' report for comparing the development of the bank's business operations during the financial period. The consolidated accounts are unaudited.

The comparative statements for the financial year 2014 have been so formed that the principal profit and loss items include the profit and loss items of Oma Savings Bank Ltd for the period 1 January – 31 December 2014, the profit and loss items of Kantasäästöpankki for the period 1 January – 31 March 2014, the profit and loss items of Suodenniemen Säästöpankki for the period 1 January – 31 May 2014, the profit and loss items of Etelä-Karjalan Säästöpankki for the period 1 January – 30 April 2014, and the profit and loss items of Etelä-Karjalan Säästöpankki Ltd for the period 1 May – 30 November 2014. The principal balance sheet items have been formed based on Oma Savings Bank Ltd's balance sheet of 31 December 2014.

The comparative statements for the principal profit and loss and balance sheet items from the financial years 2013 and 2012 have been formed based on the aggregated figures of Oma Savings Bank Ltd and the merged banks.

Oma Savings Bank Ltd's official financial statements for the financial period 1 January – 31 December 2014 contain the bank's official income statement and balance sheet information, cash flow statement and notes to the financial statements complete with comparative information.

Bank's operating activities

The growth and performance of Oma Savings Bank Ltd's business operations met the goals set by the bank for the financial period.

Oma Savings Bank Ltd conducts basic banking operations and provides its customers with a diverse range of banking services both through its own balance sheet and by brokering the products of its partners. The brokered products include loan, investment and insurance products.

The brokered loans comprise Aktia Real Estate Mortgage Bank Plc's mortgage loans that amounted to EUR 159.2 million at the end of 2014. Aktia Real Estate Mortgage Bank has not granted any new mortgages during the reporting period. New loans are provided from the banks' own balances. The bank has a refinancing obligation in respect of the mortgage loans it brokers. The refinancing obligation is implemented as long-term, unsecured senior credit to Aktia Real Estate Mortgage Bank. The loan amount is tied to the number of brokered loans. The amount is reviewed twice per year.

The investment products in the bank's product portfolio include the mutual funds of its partners such as Sp-Fund Management Company Ltd, Aktia Fund Management Company Ltd and SEB Wealth Management Finland Ltd. In securities services, the bank's partners include FIM and Nooa Savings Bank Ltd as the account operator. The pension and life insurance products brokered by the bank are provided by Sb Life Insurance Ltd, which is partly owned by the bank.

At the end of the year, the customers had EUR 168.1 million of fund and insurance savings brokered by the bank.

In payment intermediation, the bank uses the payment intermediation and clearing services of the Central Bank of Savings Banks Finland Plc.

In September 2014, Joroisten Osuuspankki and Oma Savings Bank Ltd signed a letter of intent according to which Joroisten Osuuspankki's banking business will be merged to Oma Savings Bank Ltd in the autumn of 2015.

Income

The operating profit of Oma Savings Bank Ltd was EUR 18.9 million (EUR 13.1 million in 2013). The operating profit grew by EUR 5.8 million on the previous year. The operating margin, based on the annual balance sheet average, was 1.2 per cent (0.8). The positive development of the operating result was due to growing business volumes as well as moderate cost development, even though the mergers, changes in the central bank and withdrawal from the Savings Bank Union created non-recurring cost effects. The bank's cost/income ratio was 59.6 per cent (62.4).

The bank’s key income statement items have developed as follows in comparison with the two previous years:

EUR thousand	01-12/2014	01-12/2013	Change % *)	01-12/2012	Change % **)
Net interest income	29,159	25,827	12.9	26,911	-4.0
Net commission income	14,150	13,773	2.7	11,802	16.7
Net income from trading in securities and foreign currencies	41	83	-50.3	-8	…
Net income from available-for-sale financial assets	2,658	1,545	72.1	240	…
Net income from hedge accounting	18	-46	…	-27	71.2
Other income	5,173	4,780	8.2	2,364	…
Total income	51,198	45,962	11.4	41,283	11.3
Personnel expenses	-12,647	-11,401	10.9	-11,524	-1.1
Other administrative expenses	-10,581	-11,120	-4.8	-10,680	4.1
Other expenses	-7,307	-6,180	18.2	-4,975	24.2
Total expenses	-30,535	-28,700	6.4	-27,178	5.6
Cost/income ratio	59.64	62.44		65.83	
Impairment losses on loans	-1,743	-4,181	-58.3	-1,036	…
Operating profit	18,921	13,080	44.7	13,068	0.1
Profit for the period	14,587	8,760	66.5	8,997	-2.6
*) Change 2014–2013					
**) Change 2013–2012					

The bank’s net interest income was EUR 29.2 million (25.8). The net interestincome increased by 12.9 per cent on the previous financial period. The net interest income was strengthened by interest from hedging interest rate derivatives whose amount in the net interest income was EUR 3.2 million (3.9).

The interest income amounted to EUR 36.9 million (34.4), an increase of EUR 2.6 million on the previous year. The interest expenses were EUR 7.8 million (8.6). The interest expenses decreased by EUR 0.8 million on the previous financial period.

The net commission income was EUR 14.2 million (13.8). Here the proportion of commission income was EUR 15.9 million (15.4) and commission expenses EUR 1.8 million (1.6). The commission income includes commissions from brokered products in the amount of EUR 2.6 million (2.8), of which the commissions received for the brokered loans of the mortgage bank amounted to EUR 0.1 million (0.6) and for the other brokered products EUR 2.4 million (2.2). The commissions received from the brokered mortgage loans are included in the aforementioned figures in net terms. With regard to the other commission income, the most significant were the commissions for lending EUR 4.0 million (4.1), the commissions for payment transactions EUR 7.4 million (6.8) and the commissions for trust activities and judicial tasks 1.0 million (0.8). Fee and commission expenses increased on the previous year by 8.8 per cent.

The net income from available-for-sale financial assets was EUR 2.7 million (1.5), of which sales gains and lossesaccounted for EUR 3.5 million (1.8). The item also includes impairment losses in the amount of EUR 1.3 million (-0.3) carried over to the income statement from the fair value reserve.

The other income includes income from equity-based investments, net income from investment properties and other operating profit in the amount of EUR 5.2 million (4.8). The received dividends were EUR 0.7 million (0.9), a decrease of EUR 0.2 million on the previous year. The net income from investment properties was EUR 0.6 million (2.2). The other operating income increased to EUR 3.8 million (1.6). The increase was partly due to the return of assets received from the guarantee fund.

The personnel expenses consisted of salary expenses and pension and other non-wage payroll expenses. These expenses amounted to EUR 12.6 million (11.4), which was 10.9 per cent more than the year before.

The other administrative expenses decreased by 4.8 per cent to EUR 10.6 million (11.1). The other expenses, EUR 7.3 million (6.2), comprise depreciation and impairment of tangible and intangible assets as well as the other operational expenses. The amount of planned depreciation was EUR 0.8 million (0.9). The other operating expenses increased by 23.4 per cent to EUR 6.5 million (5.3). The increase in the other operating expenses was partially due to the temporary bank tax.

The net amount of impairment losses recognised for loans and guarantees in the income for financial period was EUR 1.7 million (4.2), an increase of EUR 2.4 million on the previous year. The gross amount of the impairment losses was EUR 2.5 million (4.5). EUR 0.3 million (0.1) was recognised as reversals of impairment losses, and EUR 0.5 million (0.3) was received as refunds for receivables previously recognised as actual credit losses.

Balance sheet

At the end of the year, the bank's balance sheet stood at EUR 1618.5 million (1619.1). The amount of loans on the balance sheet was EUR 1307.1 million. The amount of deposits was EUR 1287.5 million.

Oma Savings Bank Ltd's key balance sheet items have developed in comparison to the two previous years as follows:

EUR thousand	31.12.2014	31.12.2013	Change % **)	31.12.2012	Change % ***)
Receivables from the public and general government entities	**1,307,169**	**1,267,087**	**3.2**	**1,185,230**	**6.9**
Loans	1,307,133	1,267,057	3.2	1,185,202	6.9
Other receivables	36	30	20.2	28	7.2
Investments	**287,581**	**326,703**	**-12.2**	**310,206**	**5.3**
Receivables from credit institutions	116,532	145,129	-19.7	137,393	5.6
Debt securities	46,958	63,034	-25.5	67,805	-7.0
Shares and participations	93,167	91,635	1.7	77,302	18.5
Properties	30,924	26,906	14.9	27,706	-2.9
Derivative contracts	**7,446**	**8,353**	**-10.9**	**12,843**	**-35.0**
Derivative contracts assets	7,446	8,381	-11.2	12,824	-34.6
Derivative contracts liabilities	0	-28	…	19	…
Deposits by the public *)	**1,287,487**	**1,251,053**	**2.9**	**1,219,749**	**2.6**
Liabilities to credit institutions	**11,923**	**47,903**	**-75.1**	**37,676**	**27.1**
Issued promissory notes	**101,495**	**74,366**	**36.5**	**25,609**	**…**
Promissory notes issued to the public *)	68,620	41,903	63.8	0	…
Subordinated liabilities	32,875	32,463	1.3	25,609	26.8
Equity	**139,132**	**168,868**	**-17.6**	**159,361**	**6.0**
Appropriations	**52,217**	**51,687**	**1.0**	**51,051**	**1.2**
ROA %	0.9	0.6		1.1	
ROE %	7.8	4.6		8.8	
Equity ratio	11.2	12.8		13.0	
Solvency ratio	21.19 %	18.04 %		16.95 %	

*) The figure does not include the change in the fair value resulting from hedging.

**) Change 2014-2013

***) Change 2013-2012

Lending

The total amount of lending by Oma Savings Bank Ltd at the end of the financial period was EUR 1466.4 million (1454.6). The lending includes the loans in the bank's balance sheet, EUR 1307.1 million (1267.1), as well as the mortgage loans of Aktia Real Estate Mortgage Bank brokered by the bank that are not included in the bank's balance sheet. The amount of brokered mortgage loans was EUR 159.2 million (187.5) at the end of the year. Loans brokered by the bank from public funds are included in the bank's balance sheet under the item Receivables from the public and general government entities. They amounted to EUR 1.2 million (1.7) at the end of the year.

Including the brokered mortgage loans, credits were taken out and renewed in the amount of EUR 245.0 during the year. The net increase in lending was EUR 11.8 million or 0.8 per cent.

The non-performing receivables stood at EUR 11.6 million (12.0) at the end of the year, which is EUR 0.4 less than the year before. Additionally, the bank had non-interest bearing receivables in the amount of EUR 0.7 million (0.6). The non-performing receivables and non-interest bearing receivables accounted for 0.8 per cent (0.9) of the aggregate amount of total lending and off-balance sheet commitments.

Off-balance sheet commitments

The off-balance sheet commitments comprise commitments given to a third party on behalf of a customer and irrevocable commitments given in favour of a customer.

The commitments given to a third party on behalf of a customer, EUR 31.9 million (30.4), mainly consist of bank and other guarantees. The other guarantees include the absolute guarantees issued by the bank to Aktia Real Estate Mortgage Bank plc regarding compensation for potential losses arising from the brokered mortgage loans.

The irrevocable commitments given in favour of a customer that amounted to EUR 57.6 million (56.9) at the end of the financial period mainly consist of the granted loans not drawn.

Investments

The bank's investments mainly focus on deposits in other credit institutions, debt securities, shares and participations as well as properties that are included in the balance sheet item Tangible assets. The tangible assets are specified in note 2.9.

The bank's deposits in other credit institutions were EUR 116.5 million (145.1). The amount was EUR 28.6 million smaller than the year before. The investments in debt securities consisted of money-market securities and bonds. At the end of the financial period, their amount was EUR 47.0 million (63.0), which is 25.5 per cent less than the year before.

The investments in shares and participations amounted to EUR 93.2 million (91.6) at the end of the period. Of this, the proportion of shares and participations considered essential for operations was EUR 25.8 million (27.2) and that of other shares and fund units EUR 67.4 million (64.4). The bank holds no publicly listed shares for active trading.

The bank's property assets on the balance sheet totalled EUR 30.9 million (26.9). Of this, the value of properties in the bank's own use was EUR 14.6 million (12.8) and the value of investment properties EUR 16.3 million (14.1). The fair values of investment properties are specified in Note 2.8.

During the financial period, EUR 0.3 million of reconstruction expenses allocated to the properties were capitalised on the balance sheet. In 2014, the bank purchased shares in real estate companies and properties in the amount of EUR 3.5 million.

Derivative contracts

The bank uses derivative contracts to hedge its interest rate risks. At the end of the financial period, the positive fair value of the derivatives on the assets side of the balance sheet, under the balance sheet item Derivative contracts, amounted to EUR 7.4 million (8.4), of which the proportion of derivatives hedging the fair value was EUR 6.2 million (6.0) and of derivatives hedging the cash flow EUR 1.2 million (2.4). For hedging the fair value, the bank used a deposit portfolio with at-sight terms. Interest rate swaps were used as the hedging instrument. The bank used the hedging of cash flow for hedging the incoming interest payments from floating-rate lending, with interest rate options used as the hedging instrument.

The derivative contracts are specified in Note 2.5. In the solvency calculations, the derivatives are included in the solvency requirement of the credit and counterparty risk.

Deposits by the public

The majority of the bank's fundraising comes from deposits by the public.
The deposits amounted to EUR 1287.6 million at the end of the year (1251.1). The deposits increased by EUR 36.5 million, or 2.9 per cent, during the year.

The deposits in current accounts and savings accounts increased by EUR 22.4 million, or 2.3 per cent, during the year, and they amounted to EUR 999.1 million (976.7) at the turn of the year. The increase in investment and state-subsidised home purchase savings accounts was EUR 14.1 million, or 5.2 per cent, and they amounted to EUR 288.5 million (274.3) at the turn of the year.

Other liabilities

The other liabilities mainly consist of liabilities to credit institutions and issued promissory notes that include bonds and debentures that are subordinate to the bank's other liabilities.

The liabilities to credit institutions were EUR 11.9 million (47.9). The item includes deposits made by other credit institutions to the bank as well as the bank's other liabilities to other credit institutions that totalled EUR 2.5 million (2.3). The other liabilities include, among other things, repo sales that amounted to EUR 2.5 million (2.3) at the end of the year.

During the year, the bank issued bonds in the amount of EUR 50.0 million and debenture loans in the amount of EUR 10.0 million, totalling EUR 60.0 million. At the end of the financial period, the amount of issued promissory notes on the bank's balance sheet totalled EUR 101.5 million (74.4), of which EUR 68.6 million were bonds and EUR 32.9 million debenture loans.

The other liabilities mainly consisted of short-term payment intermediation items as well as carry forward items related to the recognition of income and expenses at the closing of accounts.

Equity and appropriations

The bank's equity was EUR 139.1 million (168.9) at the end of the financial period. This represents a decrease of EUR 29.7 on the previous financial period. The amount of fair value reserve included in equity adjusted with deferred taxes was EUR 6.1 million (5.1). The amount consisted of the change in the fair value of derivatives used for hedging the cash flow, EUR 0.4 million (1.2), and the change in the fair value of the available-for-sale financial assets, EUR 5.7 million (3.9).

The appropriations comprise the depreciation differences and voluntary provisions totalling EUR 52.2 million (51.7) at the end of the period, of which the credit loss provision was EUR 52.2 million (51.7). In 2014, the credit loss provision was increased by EUR 0.5 million (increased by EUR 0.8 million), following which the provision amounted to 4.0 per cent of the receivables in the financial statements. Of the provision, EUR 3.3 million was carried over to the share capital.

Consolidated financial statements

Oma Savings Bank Ltd forms a group that comprises the parent bank and its subsidiaries Kantapankin Kiinteistövälitys Oy, As Oy Akaan Ketoneilikka, Kiinteistö Oy Kuortaneen Säästötalo, Kiinteistö Oy Töysän Säästökeskus, Kiinteistö Oy Tervalapikas, Seinäjoen Oma Koti Oy, Kiinteistö Oy Oma Säästöpankin Talo, Kiinteistö Oy Ilmajoen Säästöpankin talo, Asunto Oy Parkanon Säästötalo, Eksp-Kiinteistövälitys Oy, Kiinteistö Oy Lappeenrannan Säästökeskus, Lappeenrannan Keskustalo Oy, Kiinteistö Oy Savitaipaleen Säästökulma and Lappeenrannan Foorumi Oy. The bank's subsidiaries have been excluded from the consolidated financial statements, because they are small subsidiaries within the meaning of Chapter 12, Section 10 of the Act on Credit Institutions. The subsidiaries' impact on the Group's income and equity is negligible.

Voluntary and statutory reserves

Oma Savings Bank Ltd was previously a member of a guarantee fund named Säästöpankkien Vakuusrahasto. On 16 October 2014, the Supervisory Board of the guarantee fund resolved that the fund be dissolved in its entirety and the assets of the fund be returned to the member banks. The operations of the fund will cease as soon as the fund's Supervisory Board accepts the final accounts in the spring of 2015. Oma Savings Bank Ltd's share of the assets to be returned is around EUR 4.4 million.

Additionally, the bank is a member of a deposit-guarantee fund that safeguards the depositor's receivables from the bank up to EUR 100 000. The bank's contribution to the reserve was EUR 0.6 million. Oma Savings Bank Ltd is also a member of the Investors' Compensation Fund that hedges all non-professional investors.

Solvency management

Oma Savings Bank Ltd has defined a solvency management process with the goal of securing the bank's risk-bearing capacity with regard to all essential risks in its operations. In order to meet this goal, the bank identifies and assesses the risks related to its operations extensively and dimensions its risk-bearing capacity commensurate with the bank's total risk exposure. In order to secure its solvency, the bank sets risk-based equity goals and prepares an equity plan in order to meet those goals. Another goal of the solvency management process is to maintain and develop high-quality risk management.

The bank operates according to its strategy in retail banking. By only operating in this business area, the bank is able to manage the risks related to its operations and keep them minor in view of the nature of its operations. Savings Bank's solvency management is the responsibility of the bank's Board of Directors that also defines the risk limits related to its operations. The bank's Board of Directors annually reviews the risks related to the bank's solvency management, the equity plan and limits set for the risks.

In its solvency management process, the bank prepares, among other things, income, growth and solvency forecasts. Based on the forecasts, the bank maps the actions to be taken to maintain the solvency level in accordance with the business strategy.

In its solvency calculations, the bank applies a standard method for the calculation of the credit risk and a basic method for the calculation of the operational risk. In the standard method, the liabilities are divided into liability groups, and minimum limits required for lending diversification are defined in the retail receivables group. Oma Savings Bank Ltd discloses the essential information for the solvency calculations annually as part of its annual report and notes to the financial statements. The bi-annual interim financial report discloses the key solvency information.

Oma Savings Bank Ltd’s total capital (TC) stood at EUR 191.4 million (81.9), minimum requirement being EUR 72.2 million (36.3). Tier 1 (T1) capital stood at EUR 171.9 million, of which Common Equity Tier 1 (CET1) capital accounted for EUR 171.9 million. Tier 2 (T2) capital stood at EUR 19.5 million.

During the year, the Oma Savings Bank Ltd’s solvency ratio increased by 3.15 percentage points to 21.19 at year-end. The ratio of Tier 1 capital to risk-weighted items was 19.03% (12.44%).

Principal items of solvency calculations, EUR thousand

	Parent	
Total capital	**2014**	**2013***
Common Equity Tier 1 capital before regulatory adjustments	180,213	58,157
Regulatory adjustments to Common Equity Tier 1 Capital	-8,349	-1,697
Total Common Equity Tier 1 (CET1) capital	171,864	56,460
Additional Tier 1 capital before regulatory adjustments		
Regulatory adjustments to Additional Tier 1 capital		
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	**171,864**	**56,460**
Tier 2 capital before regulatory adjustments	13,308	26,084
Regulatory adjustments to Tier 2 capital	6,194	-647
Total Tier 2 (T2) capital	**19,502**	**25,437**
Total capital base (TC = T1 + T2)	**191,366**	**81,897**
Total risk-weighted items	**903,007**	**453,877**
of which the credit and counterparty risk accounts for	806,945	413,716
of which the credit valuation adjustment (CVA) risk accounts for	6,669	
of which the market risk (currency risk) accounts for	16,207	9,939
of which the operational risk accounts for	73,186	30,221
Ratio of Common Equity Tier 1 (CET1) capital to risk-weighted items (%)	19.03 %	12.44 %
Ratio of Tier 1 (T1) capital to risk-weighted items (%)	19.03 %	12.44 %
Ratio of total capital (TC) to risk-weighted items (%)	21.19 %	18.04 %

*) The figures for 2013 are not fully comparable. They are presented according to the acts and decrees and the regulations and guidelines issued by the Financial Supervisory Authority that were in force on 31 December 2013

Besides the financial performance, Oma Savings Bank Ltd’s solvency developmentwas also impacted by the structural arrangements effected during the financial year as well as changes in banking legislation.

The new Capital Requirements Regulation and Directive of the European Union was issued on 27 June 2013. The regulation enters into force on 1 January 2014 and is based on the recommendations set forth by the Basel Committee on Banking Supervision in 2010, i.e. the Basel III framework. The new Capital Requirements Regulation is directly binding legislation for Member States and, along with it, a large part of the standards of the Financial Supervisory

Authority's standards regarding solvency calculation will be revoked. The European Banking Authority (EBA) issues standards that specify the regulation and are binding in the same way.

The Basel III solvency reporting in accordance with the new regulation begins as per the situation of 31 March 2014. Along with it, banks' capital requirements become more stringent both via the terms imposed on capital instruments and additional capital buffers. New requirements are imposed on liquidity, and a new indicator, the leverage ratio requirement, will be introduced for the purpose of monitoring gearing.

The solvency of local banks is also expected to meet the required minimum level of 8 per cent in the future. In addition to the minimum solvency requirement, a fixed additional capital requirement of 2.5 per cent as well as a variable additional capital requirement that the authorities can set between 0 and 2.5 per cent as necessary will be introduced on 1 January 2015. In terms of the new liquidity requirements, monitoring will be implemented in 2014, but the requirements will only become binding at a later stage. The binding application of the Liquidity Coverage Ratio (LCR) will commence at a level of 60 per cent on 1 January 2015, from which it will gradually increase to 100 per cent by 1 January 2018. The EU will make its decision on the binding nature and content of the Net Stable Funding Ratio (NSFR) and minimum equity after the monitoring period. Based on current information, they will only become binding in 2018 at the earliest.

Risk management

Objective of risk management

The objective of risk management is to ensure that the risks arising from the bank's operating activities are identified, assessed and dimensioned to an accepted level, and that those risks are monitored and are commensurate with the bank's risk-bearing capacity. The key areas in risk management are credit risks, market risks including interest and price risks, financial risks and property risks as well as strategic and operational risks. The bank monitors the dependencies between different risks by means of a risk map.

Principles and organisation

Oma Savings Bank Ltd's risk management strategy is based on the goal confirmed by the Board of Directors for the bank and the business strategy, risk management instructions, mandate system and the risk and deviation reporting produced for the key business areas.

In line with its strategy, the bank focuses its business operations on the low-risk part of retail banking. The bank has no oversized customer or investment risk concentrations with regard to its financial bearing capacity, nor will it seek any in accordance with its strategy.

The bank keeps its solvency at a safe level. The bank's solvency and risk-bearing capacity are strengthened by means of profitable business operations. The bank recognises the threat of loss posed by credit risks and other risks in its financial statements by means of sufficient impairment and other losses.

The Board of Directors is regularly provided with information on the bank's different risks and their levels. The Board of Directors also approves the mandate and framework for risk taking by defining the permitted risk limits for credit and market risks. Within that mandate, the responsibility for daily risk monitoring and supervision rests with the executive management. In its monitoring, the executive management makes use of the reports on different risk areas generated by the systems. The systems and practices dedicated to risk reporting and monitoring meet the requirements imposed for risk management with due consideration given to the nature and extent of the
bank's operations.

Risk management and compliance arrangements

The bank has a compliance function in place.

Policy on diversity with regard to selection of members of the management body, its objectives and the targets set out in that policy

The significance of diversity has been emphasised in the bank's guidelines.

Credit risks

The goal of credit risk management is to limit the income and solvency impacts of the risks arising from customer liabilities to an acceptable level. The business strategy confirmed by the Board of Directors and the lending instructions define the maximum amounts for risk concentrations and guide lending according to customer sectors, fields of operation and creditworthiness classes.

The bank's key customer groups include the operating area's private customers, agriculture entrepreneurs and small businesses. The majority of the bank's fundraising has been lent out to the bank's customers. The aggregate proportion of households and entrepreneurs of the loans on the bank's balance sheet is approximately 67.7 per cent (67.2 per cent). The proportion of rural entrepreneurs of the loans on the balance sheet is 7.1 per cent (7.4 per cent) and that of others 25.2 per cent (25.4 per cent). The majority of the bank's loans, 72.7 per cent (73.6 per cent), have been granted against a home equity.

The management of corporate and agriculture credit risks is based on customer monitoring carried out by an account manager and on the internal creditworthiness classification. The assessment of a private customer's creditworthiness is based on the local bank's solid customer insight and an assessment of the customer's repayment ability carried out based on that insight.

The bank's Board of Directors makes the major credit decisions. The Board of Directors has further delegated the credit mandate to the bank's credit committee and other designated officers. Credit decisions are made in accordance with the lending instructions confirmed by the bank's Board of Directors. The main rule is the principle of at least two decision-makers. Credit decisions are based on the customer's creditworthiness and solvency as well as other lending criteria, such as meeting the guarantee requirements. The credits have mainly been granted with securing guarantees. Guarantees are prudently valued at their fair value, and their fair values are regularly monitored by utilising both statistics and in-depth knowledge of the sector. The bank's Board of Directors has confirmed instructions for the bank on the valuing of different forms of guarantees and their guarantee values that can be used in lending.

The credit risk is constantly assessed by monitoring delays in repayment and non-performing loans, for example. The amounts of customer-specific liabilities and guarantees are monitored by account managers based on constant monitoring of payment and other customer behaviour. The 15 largest customer entities and the total amount of non-performing loans are reported to the Board of Directors on an annual basis. The reporting covers, among other things, the amount and development of risks by customer entity, business sector and creditworthiness class.

The bank has no customer entities whose liabilities exceed the 10 per cent upper limit for the bank's own assets set out in the Act on Credit Institutions (known as risks associated with major accounts). The risks included in the bank's credit portfolio are, based on the reports completed to date, at a low level in view of the bank's annual income level and risk-bearing capacity.

Financial risk

Financial risk is a risk related to the availability and price of refinancing that arises when the maturities of receivables and payables differ from one other. A financial risk also arises if the receivables and payables are overly concentrated on specific counterparties. The financial risk is assessed by maturity class commensurate with the difference between the receivables and payables of each class. The financial risk is managed, for example, by maintaining a sufficient amount of liquid assets to ensure liquidity. The financial risk is monitored by reporting the bank's financial and liquidity standing to the Board of Directors.

Oma Savings Bank Ltd acquires the necessary refinancing as deposits within its own field of activity. According to the deposit account terms and conditions, a significant part of refinancing is subject to at-sight terms, dividing over 99,400 depositor customers. The bank's goal is to extend the maturity of its refinancing and to maintain an extensive capital base.

The bank maintains solid liquidity by mainly investing its liquid assets in financial instruments that are marketable on the secondary market and in short-term deposits in other financial institutions. Of the loans on the bank's balance sheet, 12.7 per cent (12.0 per cent) are loans with a loan period in excess of 20 years. In 2014, the bank's financial standing remained sound.

Interest rate risk

Interest rate risk means the impact of interest level changes on the bank's financial performance and solvency. The interest rate risk is caused by the differing interest basis of receivables and payables as well as non-simultaneous rollover or maturity dates. The bank's Board of Directors has granted the executive management the mandate to use hedging derivatives. In order to minimise its interest rate risk, the bank uses hedging derivative contracts whose use has been explained in greater detail under section Derivative contracts

The bank's interest rate risk is regularly reported to the Board of Directors that has given the maximum amounts for the bank's interest rate risk in its confirmed instructions.

The bank uses balance sheet analysis for measuring the interest rate risk that measures the impact of one and two percentage point changes of the forward interest rates over the interest margin forecast for the next 1 to 60 months. The forecast is calculated using the forward interest rates available on the market at the time of reporting for the next five years. The amount of the open interest rate risk is measured with interest rate sensitivity that observes the impact of the aforementioned interest rate shocks on the net interest income in the upcoming years.

Derivative contracts

The bank hedges its interest-bearing liabilities against interest rate changes by means of interest rate derivatives and applies the regulations governing hedge accounting to them, and monitors the effectiveness of the hedging on a regular basis. The derivatives are specified in note 2.5. The bank monitors the risks related to derivatives on a monthly basis. These include changes in the fair value of the derivatives in comparison to changes in the interest curve, and changes in the bank's balance sheet standing and the sensitivity of the net interest income to interest rate changes.

Market risk

Market risk means the impact of changes in the interest rates and market prices on the bank's income and own assets. In trading, an interest rate change causes the realisation of a market risk as a change in the market value of securities. The share risk means, among other things, the effect on profit and loss caused by the changing rates of publicly listed shares and fund units. In its securities investments, the bank's goal is to gain a competitive return on investment in terms of the return to risk ratio.

The bank only invests in securities so that the effect on profit and loss of changing rates does not jeopardise the bank's solvency or profitability. At the balance sheet date, the bank's income included unrealised changes in value recognised from securities in the net amount of EUR 0.1 million (0.1). In addition, unrealised changes in value are included in the fair value reserve in the amount of EUR 6.1 million (5.1), of which the change in the value of derivatives used for hedging the cash flow accounted for EUR 0.4 million (1.2) and the change in the value of the available-for-sale financial assets EUR 5.7 million (3.9). The impact of unrealised changes in the value of securities on the bank's own assets was EUR 4.9 million (4.9), which is 5.9 per cent (5.9 per cent) of the bank's own assets at the end of the financial period. The bank has no securities-related minimum solvency requirement arising from the settlement risk of its entire operations.

The diversification of investments is used as a means of reducing the centralisation risk caused by individual investments. The bank monitors the market values of securities acquired for investment purposes and cash flows related to their transactions. The content and balance sheet standing of the securities portfolio is regularly reported to the Board of Directors. The market risk associated with the securities portfolio is assessed in relation to the bank's income and own assets.

Property risk

Property risk means the impairment, income or damage risk facing property assets. Property investments are not part of the bank's core business. The bank's property assets are mainly insured with full value insurance.

The bank's investment property assets have been assessed and measured in the financial statements primarily by using the purchase price method.

The value of the property assets is minor in comparison to the bank's balance sheet and the bank's own capital base, and the value of the property assets does not, at the moment, face any impairment needs that would have an essential impact on the bank's income and solvency in the next few years. The carrying amounts and fair values of the investment properties are presented in note 2.8 (excluding capitalisations recognised in intangible assets).

The capital tied up in properties and shares in property companies that are used by the bank itself was, at the balance sheet date, EUR 14.1 million (13.4). Capital tied in investment properties grew on the previous year and amounted to EUR 16.1 (14.7) million, which is 1 per cent of the bank's balance sheet total.

Strategic and operational risks

Strategic risk means losses generated by a poorly selected business strategy in view of the development of the bank's operating environment. The aim is to minimise strategic risks by regularly updating the strategic and annual plans.

Operational risks mean losses that can be caused by internal inadequacies in systems, processes and operations of the personnel or by external factors affecting the business operations.

The realisation of operational risks is minimised by means of continuous development of the personnel and comprehensive operating procedures, as well as internal monitoring measures, such as separating the preparation of matters, decision-making, implementation and monitoring from one another where possible.

With a special insurance, the bank is prepared against potential operational risks in banking operations and the damage resulting from them. The realisation of judicial risks is, in part, reduced by the widely applied standard terms of contract. Continuity planning is used for preparing for risks caused by IT system malfunctions.

The operational risks are monitored by collecting data on the financial losses and possible abuse sustained by the bank. The executive management makes use of the reports on the observance of instructions generated by internal control as well as information on the changes in the operating environment.

Internal audit

The Board of Directors has set an internal audit for the bank and confirmed an audit plan and reporting principles for the internal audit.

The purpose of the internal audit is to assess the extent and sufficiency of the internal control of the bank's operational organisation, as well as to monitor and assess the functionality of the risk management systems. The internal audit reports its observations to the Chief Executive Officer. The bank's Board of Directors reviews the audit summaries prepared by the internal audit.

Internal control

The purpose of the bank's internal control is to ensure that the objectives and goals set for different levels at the bank's organisation are met in compliance with the agreed and prescribed instructions for internal control. Internal control is self-observation from within the bank carried out by the administrative bodies and the organisation, and it mainly focuses on the status, quality and results of operations. Internal control is conducted by the Board of Directors, Chief Executive Officer, supervisors and employees. In addition, the employees are obligated to report any deviations and illegal activities to the higher levels of the organisation.

Administration and personnel

The Annual General Meeting of the Savings Bank Ltd was held on 9 April 2014. The Annual General Meeting adopted the financial statements of 2014 and discharged the members of the Board of Directors and the Chief Executive Officer from liability. It was resolved that EUR 252,000.00 of the bank's distributable funds totalling EUR 28,356,532.56 be used for the distribution of dividends and that EUR 3,209,725.67 be transferred to the bank's unrestricted equity reserve.

Tatu Huhtala, Authorised Public Accountant, was appointed as the bank's auditor, and Ernst & Young, Authorised Public Accountants, as its alternate auditor.

Oma Savings Bank Ltd's Board of Directors comprises seven standing members. Jyrki Mäkynen served as the Chairman of the Board and Kai Tammela as the Vice-Chairman until 30 November 2014. Jarmo Partanen served as the Chairman of the Board and Jyrki Mäkynen as the Vice-Chairman as of 1 December 2014. Pasi Sydänlammi serves as the Chief Executive Officer and Tarmo Laine as the alternate/deputy CEO. Hannu Valkeapää served as the alternate/deputy CEO as of 1 December 2014. The Board of Directors convened 12 times during the year.

Standing members of the Board of Directors as of 1 January 2014

Chairman of the Board of Directors	Jyrki Mäkynen
Vice-Chairman	Kai Tammela
Member	Riitta Koivunen
Member	Tuula Mäkelä
Member	Ari Yli-Kaatiala
Member	Jarmo Ylä-Vannesluoma

Standing members of the Board of Directors as of 31 March 2014

Chairman of the Board of Directors	Jyrki Mäkynen
Vice-Chairman	Kai Tammela
Vice-Chairman	Timo Kokkala
Member	Riitta Koivunen
Member	Jari Lauttia
Member	Ari Yli-Kaatiala
Member	Jarmo Ylä-Vannesluoma

Standing members of the Board of Directors as of 31 November 2014

Chairman of the Board of Directors	Jarmo Partanen
Vice-Chairman	Jyrki Mäkynen
Member	Aki Jaskari
Member	Timo Kokkala
Member	Heli Korpinen
Member	Jarmo Salmi
Member	Ari Yli-Kaatiala

The Bank employed 198 people at the end of the year. The number of personnel increased in connection with the mergers that took place during the year. Tatu Huhtala, APA, served as the bank's auditor. Audit Partners Ltd served as the internal auditor.

Bank's management and governance system

The Annual General Meeting of the joint-stock Savings Bank reviews the financial statements of the previous year, addresses the profit distribution, and discharges from liability and selects the members of the Board of Directors. The decisions on the bank's business operations and strategic matters are taken by the bank's Board of Directors. Additionally, the Board of Directors makes decisions on major matters regarding the bank's business operations and selects the bank's Chief Executive Officer. The working of the Board of Directors is based on confirmed procedures. The bank's Chief Executive Officer takes care of the everyday administration of the bank in accordance with the instruction provided by the Board of Directors.

The independence of the Board members and the Chief Executive Officer is determined in accordance with the regulations issued by the Financial Supervisory Authority and its predecessor, the Financial Supervision Authority. The Board members and the Chief Executive Officer must provide a report on the entities they are involved in at the time of the appointment and from then on annually. Additionally, the Board members and the Chief Executive Officer must provide an aptitude and reliability report in accordance with the regulation of the Financial Supervisory Authority when accepting the appointment.

Remuneration policies

Decision-making process used for determining the remuneration policy

The bank’s Board of Directors is responsible for remuneration matters.

The bank does not have a remuneration committee appointed by the Board of Directors and comprised of its members in place for administering the remuneration policy. This has not been deemed necessary due to the straightforward nature of the bank’s business operations.

The bank’s Board of Directors oversees compliance with the remuneration policy and assesses its functionality on a regular basis.

Link between pay and performance

The remuneration policy is in line with the bank’s business strategy, targets and values, and is consistent with the bank’s long-term interest. The remuneration policy is consistent with and promotes the bank’s sound and effective risk management and risk-bearing capacity.

Criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria

The aforementioned principles are taken into account in the determination of severance payments and other similar compensation payable in the event of premature termination of the service relationship, and the vesting criteria are so defined that the compensation will not result in rewarding a failed performance.

Ratio between the fixed and the variable component of the total remuneration

According to the bank’s remuneration policy, the variable remuneration may not comprise more than 100 per cent of the fixed annual salary.

Main parameters and rationale for any variable component scheme and any other non-cash benefits

The bank’s variable remuneration is subject to the following principles:

1. Remuneration is based on an overall assessment of the performance of the beneficiary and business unit concerned as well as on the bank’s overall result and its development. When the performance is assessed, account is taken of financial and other factors and the actual performance or result in the long-term.
2. Among other things, the risks, capital costs and the necessary liquidity known at the time of the assessment are considered when the amount of remuneration amount is determined.

Principal outsourced operations

The bank's essential information systems have been outsourced to Samlink Ltd, of which Oma Savings Bank owns around 16 per cent. The bank’s books and records are managed by Paikallispankkien PP-Laskenta Oy, which is fully owned by Samlink. In payment intermediation, the bank uses the payment intermediation and clearing services of Central Bank of Savings Banks Finland Plc and, in cash management, the cash management system of Automatia Pankkiautomaatit Ltd.

Corporate social responsibility

Oma Savings Bank Ltd’s corporate social responsibility means the bank’s responsibility for the impacts of its business operations on the surrounding society and the company’s interest groups. As a local bank, Oma Savings Bank Ltd deems it necessary for the bank to bear responsibility for the wider society. Oma Savings Bank Ltd makes sure that its obligations as an employer are duly fulfilled. In 2014, EUR 2.2 million of corporate tax was paid out of the bank's income.

Events subsequent to balance sheet date

In January 2015, Pyhäselän Osuuspankki and Oma Savings Bank Ltd signed a letter of intent according to which Pyhäselän Osuuspankki's banking business will be merged to Oma Savings Bank Ltd during the autumn of 2015.

The bank's Board of Directors is not aware of any circumstances that would have a material effect on the bank's financial position following the completion of the financial statements.

Development of business operations in 2015

The bank's business operations are expected to develop favourably in 2015. The bank's financial performance is expected to remain at the previous year's level. If the interest rates increase slightly, this will have a positive impact on the bank's performance. However, a strong increase in the interest rates may cause an increase in impairment losses. If the competitive situation remains intense, the bank's margins may decrease, which may have a negative impact on the bank's performance.

The proposal by the Board of Directors regarding the disposal of distributable funds

Oma Savings Bank Ltd's distributable funds total stood at EUR 111,038,655.29, of which the profit for the financial period accounts for EUR 6,973,154.12.

The Board of Directors proposes to the Annual General Meeting that the profit for the financial period be used as follows:

- to be paid out as dividend	EUR 693,000.00
- to be credited to the retained earnings account	EUR 6,280,154.12
Total	EUR 6,973,154.12

No major changes have taken place in the bank's financial position since the end of the financial period. The bank's liquidity is sound and the proposed distribution of dividends will not, in the Board's view, erode the bank's cash position.

Calculation formulae of the key figures

Cost/income ratio, %

Administrative expenses + depreciation and impairment losses on tangible and intangible
assets + other operating expenses x 100
Net interest income + income from equity-based investments + net commission income
net income from trading in securities and foreign currencies + net income from
available-for-sale financial assets + net income from hedge accounting + net income
from investment property + other operating income + share of the income of the associates

Return on Equity (ROE)

Operating profit or loss – Taxes on income * 100
Equity and minority interest + appropriations
less deferred tax liabilities
(average of the year beginning and end)

Return on assets (ROA)

Operating profit or loss – Income taxes * 100
Balance sheet total (average of the year beginning and end)

Equity ratio

Equity and minority interest + Appropriations
less deferred tax liabilities * 100
Total assets

Solvency ratio

Total capital base * 8%
Total minimum requirement for capital base

Ratio of Tier 1 capital to risk-weighted items

Total Tier 1 capital * 8%
Total minimum requirement for capital base

Financial statements

Income statement of Oma Savings Bank Ltd

		1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Interest income	**(1.1)**	23,736,983.40	14,003,605.12
Interest expenses	**(1.1)**	-5,906,421.85	-4,778,146.91
NET INTEREST INCOME		17,830,561.55	9,225,458.21
Income from equity investments	**(1.2)**	242,648.94	152,273.40
Fee and commission income	**(1.3)**	10,030,610.26	6,678,930.05
Fee and commission expenses	**(1.3)**	-942,201.27	-528,686.07
Net income from trading in securities and foreign currencies	**(1.4)**	59,510.74	27,112.93
Net income from available-for-sale financial assets	**(1.5)**	-224,449.30	1,036,402.25
Net income from hedge accounting	**(1.6)**	13,626.48	-13,051.19
Net income from investment properties	**(1.7)**	130,685.33	140,664.71
Other operating income	**(1.8)**	3,683,634.16	612,887.69
Administrative expenses		-13,922,360.45	-7,724,074.93
Personnel expenses	**(1.9)**	-7,514,486.10	-3,671,536.34
Other administrative expenses	**(1.10)**	-6,407,874.35	-4,052,538.59
Depreciation and impairment losses on tangible and intangible assets	**(1.11)**	-622,066.86	-496,207.68
Other operating expenses	**(1.8)**	-4,100,609.23	-2,046,864.32
Impairment losses on loans and other receivables	**(1.12)**	-1,531,043.90	-1,988,940.02
OPERATING PROFIT		10,648,546.45	5,075,905.03
Appropriations		-1,785,232.06	-379,347.53
Income taxes		-1,890,160.27	-1,234,831.83
PROFIT (LOSS) OF ACTUAL OPERATIONS AFTER TAXES		6,973,154.12	3,461,725.67
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		6,973,154.12	3,461,725.67

Balance sheet of Oma Savings Bank Ltd

ASSETS

		31.12.2014 EUR	31.12.2013 EUR
Cash and cash equivalents		6,608,345.60	3,631,078.54
Debt securities eligible for refinancing with central banks		6,634,908.70	5,957,212.78
Receivables from credit institutions	**(2.1)**	116,532,169.12	56,611,138.01
Receivables from the public and general government entities	**(2.2)**	1,307,168,953.31	596,199,336.50
Debt securities	**(2.3)**	40,323,203.76	22,797,519.28
From others		40,323,203.76	22,797,519.28
Shares and participations	**(2.4)**	93,166,762.48	43,412,082.60
Derivative contracts	**(2.5)**	7,445,773.21	4,015,351.26
Intangible assets	**(2.7)**	1,573,740.36	799,351.24
Tangible assets		31,518,865.42	8,005,392.15
Investment properties, investment property shares and participations	**(2.8)**	15,994,908.88	1,874,321.12
Other properties and shares and participations in real estate companies	**(2.8)**	14,068,206.14	5,279,406.72
Other tangible assets		1,455,750.40	851,664.31
Other assets	**(2.10)**	284,038.39	92,746.09
Accrued income and prepayments	**(2.11)**	6,788,251.99	2,953,153.52
Deferred tax assets	**(2.18)**	437,183.26	200,949.27
TOTAL ASSETS		1,618,482,195.60	744,675,311.24

LIABILITIES

		31.12.2014 EUR	31.12.2013 EUR
LIABILITIES			
Liabilities to credit institutions	**(2.12)**	11,922,931.47	43,917,879.88
Liabilities to the public and public sector entities	**(2.13)**	1,294,486,903.60	561,193,811.33
Deposits		1,293,481,716.60	560,261,259.33
Other liabilities		1,005,187.00	932,552.00
Promissory notes issued to the public	**(2.14)**	68,620,010.80	41,903,392.41
Derivative contracts and other liabilities held for trading	**(2.5)**	0.00	-28,041.00
Other liabilities	**(2.15)**	10,302,055.31	4,834,009.71
Deferred expenses and advances received	**(2.16)**	7,231,563.90	2,891,239.26
Subordinated liabilities	**(2.17)**	32,875,200.00	23,800,000.00
Deferred tax liabilities	**(2.18)**	1,693,934.27	771,933.82
TOTAL LIABILITIES		1,427,132,599.35	679,284,225.41
APPROPRIATIONS			
Depreciation difference		0.00	3,990.34
Voluntary provisions		52,217,379.33	24,746,624.77
TOTAL APPROPRIATIONS		52,217,379.33	24,750,615.11
EQUITY	**(2.22)**		
Share capital		22,000,000.00	10,000,000.00
Other restricted reserves		6,093,561.63	2,283,938.16
Fair value reserve		6,093,561.63	2,283,938.16
Unrestricted reserves		95,528,858.16	19,567,889.55
Paid-up unrestricted equity reserve		94,971,376.63	19,567,889.55
Other reserves		557,481.53	0.00
Retained earnings		8,536,643.01	5,326,917.34
Profit for the period		6,973,154.12	3,461,725.67
TOTAL EQUITY		139,132,216.92	40,640,470.72
TOTAL LIABILITIES		1,618,482,195.60	744,675,311.24

OFF-BALANCE SHEET COMMITMENTS

	31 Dec 201	31 Dec 201
Commitments given to a third party on behalf of a customer	31,852,102.91	15,821,883.40
Guarantees and pledges	30,915,229.07	15,522,674.00
Other	936,873.84	299,209.40
Irrevocable commitments given in favour of a customer	57,648,345.72	35,945,964.31
Other	57,648,345.72	35,945,964.31

Cash flow statement of Oma Savings Bank Ltd

	1.1.-31.12.2014	1.1.-31.12.2013
Cash flow from operations		
Profit from actual operations after taxes	6,973,154.12	3,461,725.67
Adjustments for the period	4,822,036.47	4,154,741.10
Increase (–) or decrease (+) of operating assets	**-41,632,456.28**	**-61,163,357.86**
Debt securities	-1,178,877.96	-3,838,490.81
Receivables from credit institutions	-20,724,757.44	-2,631,852.00
Receivables from the public and public sector entities	-28,913,118.23	-54,378,514.46
Shares and participations	-14,398,865.35	-630,863.06
Other assets	23,583,162.70	316,362.47
Increase (+) or decrease (–) of operating liabilities	**19,544,147.89**	**76,235,836.37**
Liabilities to credit institutions	-35,394,995.02	14,256,828.00
Liabilities to the public and public sector entities	26,201,026.46	21,921,950.20
Promissory notes issued to the public	26,716,618.39	41,903,392.41
Other liabilities	2,021,498.06	-1,846,334.24
Paid income taxes	-1,976,656.65	-496,541.58
Total cash flow from operations	**-12,269,774.45**	**22,192,403.70**
Cash flow from investments		
Increase in held-to-maturity financial assets	2,000,000.00	0.00
Increase in investments in shares and participations	0.00	-2,231,495.13
Decrease in investments in shares and participations	1,271,838.88	0.00
Investments in tangible and intangible assets	-4,268,546.67	-639,616.50
Disposal of tangible and intangible assets	0.00	188,894.22
Total cash flow from investments	**-996,707.79**	**-2,682,217.41**
Cash flow from financing		
Increase in subordinated liabilities	10,000,000.00	4,941,200.00
Decrease in subordinated liabilities	-9,587,600.00	0.00
Paid dividends and other profit distribution	-252,000.00	-150,000.00
Total cash flow from financing activities	**160,400.00**	**4,791,200.00**
Net change in cash and cash equivalents	**-13,106,082.24**	**24,301,386.29**
Cash and cash equivalents at the beginning of the financial period	38,009,892.55	9,683,921.37
Cash and cash equivalents at the end of the financial period	**49,950,769.57**	**38,009,892.55**
- Cash and cash equivalents transferred at the assignment of business operations	-25,046,959.26	-4,024,584.89
Cash and cash equivalents at the end of the financial period without the cash and cash equivalents transferred at the assignment of business operations	**24,903,810.31**	**33,985,307.66**
Cash and cash equivalents are composed of the following balance sheet items:		
Cash assets	6,608,345.60	3,631,078.54
Receivables from credit institutions paid on demand	43,342,423.97	34,378,814.01
Total	**49,950,769.57**	**38,009,892.55**
Additional information to the financial statement:		
Interests received	21,358,342.40	12,790,882.40
Interests paid	4,883,818.51	4,256,460.90
Dividends received	242,648.94	152,273.40
Adjustments for the period:		
Appropriations	1,785,232.06	379,347.53
Taxes in the income statement	1,890,160.27	1,234,831.83
Changes in fair value	156,707.48	-37,284.04
Depreciation and impairment losses on intangible and tangible assets	676,612.07	530,406.20
Other adjustments	313,324.59	2,047,439.58
Total	**4,822,036.47**	**4,154,741.10**

Notes

Accounting principles

The bank’s financial statements have been prepared in compliance with the provisions of the Accounting Act and the Act on Credit Institutions, the Decree of the Ministry of Finance on financial statements and consolidated financial statements of credit institutions (698/2014) and Regulations and Guidelines 1/2013 of the Financial Supervisory Authority on bookkeeping, financial statements and reports on operations in the financial sector.

Consolidated financial statements

The bank has subsidiaries and associates. The bank does not have any joint ventures. Under Chapter 12, Section 10 of the Act on Credit Institutions, subsidiaries, associates and joint ventures the balance sheet total of which is less than one per cent of the balance sheet total of the parent bank and less than EUR 10 million may be excluded from the consolidated financial statements. The subsidiaries do not have a significant impact on the Group's income and balance sheet and, therefore, the financial statements of the bank give a true and fair view of the financial performance and financial position of the Group.

The bank owns around 22 per cent of Nooa Savings Bank Ltd. The consolidated financial statements have not been prepared in this respect because the bank does not have actual control over Nooa Savings Bank’s operations. This is because the banks that belong to the amalgamation of the Savings Banks hold a qualified majority (around 78 per cent) of Nooa Savings Bank Ltd’s shares and because the Act on the Amalgamation of Deposit Banks contains stringent provisions on the decision-making power with regard to the companies belonging to the amalgamation.

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Foreign currency items

Assets and liabilities denominated in foreign currencies and tied to currencies outside the euro area are translated into euros at the average exchange rate quoted by the European Central Bank on the date of closing the accounts.

The exchange differences arising from valuation are recognised in the income statement under net income on trading in foreign currencies.

Financial instruments

Classification

In the financial statements, the financial assets are classified into four valuation classes in accordance with the Regulations and Guidelines 1/2013 of the Financial Supervisory Authority on bookkeeping, financial statements and report on operations in the financial sector:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Held-to-maturity investments
- Loans and receivables

The financial assets at fair value through profit and loss consist of compound instruments which contain an embedded derivative that has not been separated from the main contract and other financial assets recognised at fair value through profit and loss.

The held-to-maturity investments include debt securities with fixed or definable payments which mature on a set date and which the bank is determined and capable to keep until the maturity date.

The loans and receivables contain receivables with fixed or definable payments that are not quoted on the public market.

The available-for-sale financial assets contain financial assets that have not been classified in the aforementioned valuation classes.

The purchases and sales of financial assets are recognised on the trade date and they are included in the balance sheet items Debt securities and Shares and participations.

Financial liabilities are divided into two valuation classes:

- Financial liabilities held for trading
- Other financial liabilities

The bank has no financial liabilities held for trading. All financial liabilities are therefore classified under Other financial liabilities.

Measurement

Financial assets are recognised in the balance sheet either at fair value or amortised cost.. With the exception of derivative contracts, financial liabilities are recognised in the balance sheet at amortised cost.

Changes in the fair value of financial assets at fair value through profit and loss are recognised directly under the income statement item Net income from trading in securities.

Available-for-sale financial assets are measured at fair value. Changes in their fair value, adjusted with deferred taxes, are recognised in the fair value reserve under equity. Foreign exchange gains and losses arising from items denominated in foreign currencies are not recognised in the fair value reserve but directly in the income. The change of value accrued in the fair value reserve is recognised under income when an asset belonging to available-for-sale financial assets is sold or otherwise derecognised.

The fair value of listed shares is stated as their latest available bid price of the year. The fair value of non-listed shares is stated as their acquisition cost when the fair value cannot be reliably determined. The fair value of debt securities is stated as their latest available bid price of the year if the debt security is publicly quoted or, in the absence thereof, the current value of the debt security discounted by the market interest rate of the capital and interest flow, or a value calculated by using some other generally accepted measurement model or method.

The held-to-maturity investments as well as loans and receivables are valued at their amortised cost or acquisition cost less the impairment loss if there is objective proof of their impairment.

The shares and participations in subsidiaries and associates are recognised under the acquisition cost or acquisition cost less the impairment loss in the event that the impairment is considered significant or long-term.

Derivative contracts and hedge accounting

Derivative contracts in the financial statements are measured at their fair value, and the changes in their value are recognised in the balance sheet and income statement.

The bank uses share options to hedge the interest rate risk associated with equity deposits against changes in fair value and applies fair value hedging to this end. The hedging is applied to the additional income from equity deposits. The bank hedges its interest rate risk against changes in fair value and cash flows and applies hedge accounting to this end. The fair value hedging is applied to fixed-rate deposits and cash flow hedging to hedge the incoming interest payments from floating-rate lending.

The change in the fair value of derivatives used for hedging the fair value is recognised in the income statement under Net income from hedge accounting. In fair value hedging, the object being hedged is also measured at fair value for the hedging period, even if it is otherwise measured at amortised cost. The change in the fair value of the object being hedged is recognised in the balance sheet as an adjustment of the item concerned and in the income statement under Net income from hedge accounting. The interests of the hedging derivatives are stated as an adjustment of interest expenses.

The effective portion of the change in the fair value of derivatives used for hedging the cash flow, adjusted with deferred taxes, is recognised in the fair value reserve under equity. The ineffective portion of the change in the fair value is recognised directly under the income statement item Net income from trading in securities. The change in the time value of the interest rate options used as hedging instruments is also recognised under Net income from trading in securities, because the time value is not part of the hedging instrument. The interests of the hedging derivatives are included in interest income.

The change of value accrued in the fair value reserve from the measurement of the hedging derivative is recognised under income as an adjustment of the hedged cash flow as soon as the hedged cash flow is recognised as income. In cash flow hedging, the object being hedged is not measured at fair value.

Tangible and intangible assets

Properties and shares in real estate companies are divided into properties in own use and investment properties based on their intended use. This division is based on the floor square metres used.

Properties are recognised in the balance sheet at acquisition cost less planned depreciation. Shares and participations in real estate companies are recognised in the balance sheet at acquisition cost. The bank does not apply the option of measuring investment properties at fair value afforded under Chapter 12, Section 8 of the Act on Credit Institutions.

The balance sheet values of properties and shares and participations in real estate companies in own use are based on the value of the assets relative to the expected income from actual operations.

The difference between the carrying amount of investment properties and shares in real estate companies and the permanently lower probable selling price is, where material, recognised in impairment loss as an expense under Net income from investment properties. Potential impairment reversals are recognised as adjustments of the respective item.

Accumulated appropriations

Depreciation difference and voluntary provisions

The difference between actual and planned depreciation is recognised under Depreciation difference.

The bank uses voluntary provisions, such as credit loss provisions, in its financial and tax planning. The amount of or change in voluntary provisions is therefore not indicative of the bank's risk exposure.

In the bank's financial statements, the appropriations are stated without deducting the associated tax liability.

Off-balance sheet commitments

Off-balance sheet commitments comprise commitments given to a third party on behalf of a customer and irrevocable commitments given in favour of a customer.

Commitments given to a third party on behalf of a customer include, among other things, guarantees and comparable guarantee commitments. The commitments are stated in the maximum amount the guarantee or guarantee commitment corresponds to on the date of closing the accounts.

Irrevocable commitments given in favour of a customer include, among other things, binding credit commitments, granted loans not yet drawn, and unused committed credit facilities. The commitments are stated in the maximum amount that may result in payments on the date of closing the accounts.

Interest income and expenses

All income and expenses arising from interest-bearing assets and liabilities are recognised under Interest income and expenses. Interests are recognised on an accrual basis except for penalty interests, which are recognised when the payment is received. Interests are amortised using the effective interest method.

Interest income and expenses also comprises the difference between the acquisition price and nominal value of receivables and payables, which is amortised over the period to maturity of the receivable or payable using the effective interest method. A counter item is recognised as a change in the receivable or payable.

Interest income is also accrued in the accounting of an impaired receivable to the remaining value using the original effective interest rate of the contract.

Impairment losses of financial assets

Loans and receivables

Impairment losses contain impairment of loans and receivables when there is objective proof that the loan principal or interest will not be paid and the guarantee of the receivable does not suffice to cover the amount. Estimation of the objective proof is based on estimating the insolvency of the customer and the sufficiency of the guarantee. When impairments are recognised, the guarantee is evaluated to the amount expected to be gained at the moment of realisation. The amount of impairment losses is defined as the difference between the carrying amount of the receivable and the estimated current value of the incoming cash flow accruable from the receivable, taking the fair value of the guarantee into account. The original effective interest rate of the receivable has been used as the discount rate.

The loans and receivables are classified into groups, the amount of impairment losses in respect of which is evaluated on a group-by-group basis. The groups of receivables are classified based on their similar credit risk characteristics to make it possible to evaluate the need for group-specific impairments in respect of receivables for which no impairment criterion pertaining to a specific receivable has yet been identified.

Held-to-maturity investments

In the event that, on the date of closing the accounts, objective proof indicates that the value of a debt security classified as held-to-maturity investments may have impaired, the debt security is subjected to an impairment analysis.

If the analysis shows an impairment, such as that the credit risk of the issuer has increased, the impairment is recognised in profit or loss under Impairment losses of other financial assets. The amount of the impairment loss is defined as the difference between the carrying amount of the receivable and the estimated current value of the incoming cash flow accruable from the receivable. The original effective interest rate of the receivable has been used as the discount rate.

Available-for-sale financial assets

In the event that, on the date of closing the accounts, objective proof indicates that the value of securities classified as available-for-sale financial assets may have been impaired, the securities are subjected to an impairment analysis. If the analysis shows impairment – e.g. the credit risk of the issuer has increased or the value of the share has significantly decreased or is below the acquisition cost for a prolonged period of time and the bank estimates that it will not be able to recover the investment – the loss accrued in the fair value reserve is recognised in profit or loss under Net income from available-for-sale financial assets.

For debt securities, the amount of the impairment loss is defined as the difference between the carrying amount of the receivable and the estimated current value of the incoming cash flow accruable from the receivable. The original effective interest rate of the receivable has been used as the discount rate. The reversal of the impairment loss of debt securities is recognised in profit or loss. The amount of the impairment loss of shares and participations is measured as the difference between their carrying amount and the value that the bank estimates not to receive. The impairment loss of shares or participations cannot be reversed in profit or loss; instead, the change in their value is recognised in the fair value reserve.

Depreciation principles

For buildings and structures, the acquisition cost of buildings and other tangible and intangible assets is depreciated based on their expected useful life in accordance with the predefined depreciation plan as straight-line depreciation. Depreciation periods range from 10 to 40 years for buildings and structures, and 5 to 8 years for machinery and equipment. Land areas are not subject to depreciation.

Software development expenditure and licences are capitalised in intangible rights and depreciated over a period of 3 to 5 years. Capitalised long-term expenditure is amortised over its useful economic life of 5 to 10 years.

Income and expenses other than those from ordinary activities and statutory provisions

The bank and the Group have not recognised any statutory provisions or income and expenses other than those from ordinary activities.

Taxes

Income taxes are recognised in the bank's financial statements on the basis of taxable income. A positive change in the value included in the fair value reserve is recognised in the balance sheet as a deferred tax liability, and a negative change as a deferred tax asset. Additionally, the negative change in value transferred from the fair value reserve to income is recognised as a deferred tax asset. Other deferred taxes are not recognised.

Cash and cash equivalents

The cash and cash equivalents of the cash flow statement comprise cash assets and receivables from credit institutions paid on demand. The cash flow statement is prepared using the indirect method.

Other notes

Add the bank’s notes to the financial statements here.

Signatures to the financial statements and the report of the Board of Directors

Helsinki, 17 February 2015

Board of Directors of Oma Savings Bank Ltd

Jarmo Partanen
Chairman

Jyrki Mäkynen
Vice-Chairman

Heli Korpinen

Aki Jaskari

Timo Kokkala

Jarmo Salmi

Ari Yli-Kaatiala

Pasi Sydänlammi
Chief Executive Officer

Auditors’ note

A report on the audit of the financial statements has been submitted today.

Seinäjoki, 19 February 2015

Tatu Huhtala, APA

List of accounting books and voucher types used during the financial period

Accounting books	Method of filing
General ledger/journal	Electronic archive
Balance sheet	Bound book
Vouchers	Hardcopy printout
<u>Accounts receivable and payable</u>	
Sales ledger (automated)	Electronic archive
Portfolio accounting	Electronic archive
Accounts payable (eOffice)	Electronic archive
Accounts payable	Hardcopy
Cash journal	Computer printout
Cash reports	Computer printout
Payroll ledger	Electronic archive
Fixed assets ledger	Electronic archive
Derivatives ledger	Excel file
Rent receivables	Excel file

Voucher types

10	Transactions in an account statement of a payment account
20	Purchase invoices
21	CEO's expenses
22	Personnel expenses
25	Purchase invoice payments
30	Purchase invoices, eOffice banks, invoices circulating outside the bank
32	Travel expense reports
51	Portfolio accounting
53	Deposits, interest on payment account
54	Cash currency, agios
56	Machine-language entries from other ledgers, transactions entered at the QS terminal
58	Machine-language transactions between cost centres
60	Internal accounting documents
61	Machine-language data transmission of internal accounting
70	Memo vouchers
71	General ledger entries
75	Salary entries, paid salaries
80	Amortisation documents, distributable entries
82	Machine-language imputations
83	Machine-language imputations, salaries, holiday pay
84	Machine-language imputations, non-wage payroll costs excluding social security contributions
85	Depreciation write-off
91	Business transactions, off-balance sheet items
92	Business transactions, carry forward items
93	Business transactions, internal accounting entries
94	Business transaction related entries
99	Income entry