Savings Banks Amalgamation's

PILLAR III DISCLOSURE REPORT

30 JUNE 2022

Savings Bank

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SAVINGS BANKS AMALGAMATION'S PILLAR III DISCLOSURE REPORT

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INTRODUCTION

The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 16 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank as well the companies within the consolidation groups of the above-mentioned entities, Savings Bank Services Ltd and Sp- Fund Management Company Ltd Plc. The structure of the Group differs from that of the Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. More information on the group structure of is presented in the Savings Banks Group's Financial Statement.

The pillar III report has been compiled in accordance with the effective legislation and authorities' regulations and also taking into account the Savings Banks Amalgamation's long-term strategy and business plan. The pillar III report is unaudited.

The objective of the Pillar III disclosure principles is to ensure that the amount and quality of the published information is adequate in relation to the nature, scale, complexity and risk level of the Savings Banks Amalgamation's business operations and taking into account the specific features of the Savings Banks Amalgamation's business operations. To achieve this objective, the Savings Banks Amalgamation assesses the materiality of the information annually from the stakeholder point of view and evaluates what can be classified as proprietary or confidential information. The pillar III disclosure principles are updated at least annually and always if the market conditions, financial performance or change in the risk position would require that.

This semi-annual pillar III report contains key metrics related to risk-based capital ratios, leverage ratio, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The comprehensive pillar III report is disclosed at the year-end in conjunction with the date of publication of the Saving Banks Group's board of directors' report and consolidated IFRS financial statements. The Amalgamation assesses whether scope or frequency of the pillar III disclosure has to be updated if the market conditions, financial performance or change in the risk position would require that.

DECLARATION APPROVED BY THE BOARD OF DIRECTORS OF SAVINGS BANK AMALGAMATION

The board of the Amalgamation confirms with the accordance of CRR article 431(3) that the pillar III report of the Amalgamation has been prepared in the accordance with Amalgamation's pillar III disclosure principles, internal processes, systems and controls.

In Helsinki 10 August 2022

The Board of Directors' of the Savings Banks' Union Coop

Pirkko Ahonen
Chairman of the Board

Jari Oivo
Vice Chairman of the Board

Ulf Sjöblom

Tuula Heikkinen

Eero Laesterä

Hannu Syvänen

Heikki Paasonen

Simo Leisti

Veli-Pekka Mattila

KEY INDICATORS (KM1)

At the end of June 2022, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1,078.1 (1,098.3) million, of which CET1 capital accounted for EUR 1,077.5 (1,096.6) million. The decline in CET1 capital compared to year-end 2021 was mainly caused by the change of the interest rate environment that impacted negatively on the fair value of the Amalgamation's investment portfolio. Tier 2 (T2) capital accounted for EUR 0.6 (1.7) million, which consisted of debentures in the review period. Risk-weighted assets amounted to EUR 5,769.3 (5,626.7) million, i.e., they were 2.5% higher than at the end of the previous year.

The capital requirement of Savings Banks Amalgamation was EUR 692.7 (661.5) million which corresponds 12.01 % (11.76%) of risk weighted assets. The increase of the capital requirement was caused by pillar 2 requirement which increased from 1.25% to 1.5% as of risk weighted assets.

The standard method is used to calculate capital requirement for credit risk, counterparty risk and credit valuation adjustment. The basic method is used to calculate capital requirement for operational risk. The capital requirement for foreign-exchange risk is calculated by using basic method if net open position exceeds 2% of the own funds. The amalgamation does not have a trading book and the Amalgamation does not involve commodity risk taking.

The leverage ratio of the Savings Banks Amalgamation was 8.3 per cent (8.9) clearly exceeding the 3% minimum requirement. Decrease of the leverage ratio was caused by increase of total exposures.

The amalgamation does not apply the temporary treatment specified in Article 468 of CRR. Own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses measured at fair value through other comprehensive income. The amalgamation does not apply the transitional arrangements specified in Article 473a of CRR. Own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs.

The liquidity coverage ratio (LCR) of the Savings Banks Group was 139% (161%), staying well above the regulatory minimum requirement (100%). During first half of the year 2022 high-quality liquid assets (HQLA) increased by EUR 175.6 million due to an increase in deposits held at the Bank of Finland (EUR 193.0 million) and a slight decrease of other HQLA items. There was also an increase of approximately EUR 256.0 million in net liquidity outflows compared to year-end 2021. This was largely explained by an increase in corporate deposits not covered by the deposit guarantee scheme.

Net Stable Funding (NSFR) ratio was 125% (127%), well above the regulatory requirement (100%). Available stable funding was approximately EUR 10,224.8 (10,000.2) million. Its largest items were retail deposits of EUR 6,188.8 (6,072.6 million), Tier 1 capital (T1) of EUR 1,077.5 (1,096.6) million and bonds and bills issued of EUR 2,043.6 (1,995.3) million. There was an increase of approximately EUR 224.6 million in available stable funding compared to year-end 2021. This was largely explained by an increase of EUR 202.7 million in available stable funding for retail and corporate deposits and bonds and bills issued. Required stable funding was EUR 8,153.3 (7,859.8) million and consisted mainly of loans granted. During the first half of the year 2022 required stable funding increased by EUR 293.5 million. This was mainly explained by an increase of approximately EUR 304.6 million required stable funding for loans granted.

TABLE EU KM1 – KEY METRICS TABLE

(EUR 1,000)		30.6.2022	31.12.2021	30.6.2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,077,518	1,096,604	1,100,416
2	Tier 1 capital	1,077,518	1,096,604	1,100,416
3	Total capital	1,078,125	1,098,277	1,103,864
	Risk-weighted exposure amounts			
4	Total risk exposure amount	5,769,272	5,626,667	5,559,982
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	18.68 %	19.49 %	19.79 %
6	Tier 1 ratio (%)	18.68 %	19.49 %	19.79 %
7	Total capital ratio (%)	18.69 %	19.52 %	19.85 %
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50 %	1.25 %	1.25 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.84 %	0.70 %	0.70 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.13 %	0.94 %	0.94 %
EU 7d	Total SREP own funds requirements (%)	9.50 %	9.25 %	9.25 %
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50 %	2.50 %	2.50 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00 %	0.00 %	0.00 %
9	Institution specific countercyclical capital buffer (%)	0.01 %	0.01 %	0.01 %
EU 9a	Systemic risk buffer (%)	0.00 %	0.00 %	0.00 %
10	Global Systemically Important Institution buffer (%)	0.00 %	0.00 %	0.00 %
EU 10a	Other Systemically Important Institution buffer (%)	0.00 %	0.00 %	0.00 %
11	Combined buffer requirement (%)	2.51 %	2.51 %	2.51 %
EU 11a	Overall capital requirements (%)	12.01 %	11.76 %	11.76 %
12	CET1 available after meeting the total SREP own funds requirements (%)	9.19 %	10.27 %	10.60 %
	Leverage ratio			
13	Total exposure measure	12,916,333	12,283,341	12,388,999
14	Leverage ratio (%)	8.34 %	8.93 %	8.88 %

	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00 %	0.00 %	0.00 %
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00 %	0.00 %	0.00 %
EU 14c	Total SREP leverage ratio requirements (%)	3.00 %	3.00 %	3.00 %
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00 %	0.00 %	0.00 %
EU 14e	Overall leverage ratio requirement (%)	3.00 %	3.00 %	3.00 %
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,516,378	1,340,746	1,378,143
EU 16a	Cash outflows - Total weighted value	1,132,072	878,180	978,457
EU 16b	Cash inflows - Total weighted value	40,998	43,128	150,463
16	Total net cash outflows (adjusted value)	1,091,075	835,052	827,994
17	Liquidity coverage ratio (%)	138.98 %	160.56 %	166.44 %
	Net Stable Funding Ratio			
18	Total available stable funding	10,224,816	10,000,184	9,774,240
19	Total required stable funding	8,153,334	7,859,754	7,895,463
20	NSFR ratio (%)	125.41 %	127.23 %	123.80 %

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