# SAVINGS BANKS AMALGAMATION´S PILLAR 3 DISCLOSURE REPORT

## 31.12.2021

Savings Bank

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# INTRODUCTION

The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 17 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank, Sp-Fund Management Company Ltd Plc as well the companies within the consolidation groups of the abovementioned entities ow which Savings Bank Services Ltd is 100 % owned by Säästöpankkiliitto osk. 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.

This report discloses information on the risk management, governance, remuneration, capital adequacy calculation, leverage ratio, asset encumbrance, liquidity coverage ratio, net stable funding ratio, forborne and non-performing exposures of the amalgamation as specified in the Capital Requirements Regulation of the European Parliament and Council No. 573/2013 (CRR) (Pillar III disclosures). The report also contains all the quantitative Pillar 3 information that has been earlier disclosed only as a part of the Savings Banks Group's board of director's report and IFRS financial statements. In addition to Savings Banks Amalgamation's Pillar III disclosures the report contains information on the risk position of the Savings Banks Group including also life insurance risks.

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 figures on this pillar III report are based on economic information that is presented and audited in the 2021 Savings Banks Group's board of directors' report and IFRS financial statements. This 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.

List of the published pillar III information and list of immaterial information that has been omitted with references to European Banking Authority's (EBA) templates can be found from the end of the report. According to pillar III regulation, the pillar 3 disclosure can be assessed to be immaterial and, therefore, omitted where its omission or misstatement could not change or influence the assessment or decision of a user of that information relying on it for the purpose of making economic decisions.

The comprehensive pillar III report is disclosed at year-end in conjunction with the Savings Banks Group's board of directors' report and IFRS financial statements and the key metrics are disclosed semi-annually in conjunction with the Savings Banks Group's half year report. However, the Savings Banks Amalgamation assesses the need for more frequent publication if the market conditions, financial performance or change in the risk position would require that.

# 1. DECLARATION APPROVED BY THE BOARD OF DIRECTORS OF THE SAVINGS BANK AMALGAMATION

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

## BOARD DECLARATION ON THE ADEQUACY OF THE RISK MANAGEMENT ARRANGEMENTS (CRR 435 (1))

The Board of Directors approves the framework for risk appetite by setting risk limits and other thresholds for different risk areas at the Amalgamation level. The risk positions are regularly reported to the Board of Directors of the Central Institution. It is the Board of Director's assessment that the Amalgamation has adequate risk management arrangements in place with regard to the Amalgamation's risk profile and strategy.

## RISK PROFILE OF SAVINGS BANK AMALGAMATION (CRR 435 (1))

The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers. Savings Banks practice retail banking. The Amalgamation conducts retail banking, mortgage banking, central credit institution services, administration of mutual funds and asset management. The key customer groups for the Banking segment are private customers, corporate (small to medium) customers, forestry and agricultural customers.

The credit risk of the banking business is the most significant risk of the Amalgamation. In addition, the Amalgamation is affected by market risk, operational risk and other qualitative risks such as business risks. The Board of Directors of the Central Institution approves the most significant risk strategies and other operating principles.

The Board of Directors of the Central Institution steers the Banking segment's credit risk management by approving the credit risk strategy, other guidelines and by setting the risk limits and other thresholds, e.g. on concentration risks and credit quality.

The most important market risk in banking activities is the interest rate risk in the banking book, which is measured through both net present value and net interest income. The market risk in the investment portfolio is measured and followed by the investment class, counterparty and sector. The member credit institutions of the Amalgamation do not, as a rule, engage in trading for own or customers' account. The use of derivatives is limited to hedging purposes.

The key tools in monitoring liquidity risk at the Amalgamation level are cash position, liquidity reserve and LCR. At the end of 2021, the Amalgamation held 1,438 (1,550 ) million euros (before haircuts) of LCR eligible liquid assets. The Amalgamation's LCR was 161% (196%) at the end of 2021. Net stable funding ratio (NSFR) was 127%, well above the regulatory requirement (100%). Available stable funding was approximately EUR 10,000.2 million and required stable funding was EUR 7,859.8 million. The long-term credit rating that Standard & Poor's Rating Services has granted to The Central Bank of Savings Banks Finland remained in 2021 at an 'A-', negative outlook. The short-term credit rating remained at 'A-2'.

Operational risks are managed in all the entities of Amalgamation according to the principles of operational risk management approved by the Board of Directors of the Amalgamation's Central Institution. The principles determine the main operational risk control and risk management methods, which are used in the evaluation of risks, monitoring of materialised risks and preparation for possible oncoming risks.

At the end of 2021, the CET1 capital ratio of the Savings Banks Amalgamation was 19.5% (19%) and the capital ratio was 19.5% (19.1%). The capital structure of the Savings Banks Amalgamation is strong, and it significantly exceeded the regulatory capital requirement, which was 11.76% (11.76%) of the total amount of risk-weighted exposures at the end of 2021. The Board of Directors of the Central institution has set a target level of CET1 capital. For the coming strategic period, the long-term target level of CET1 capital is 18%.

## TABLE EU KM1 – KEY METRICS TABLE

| (EUR 1,000) | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| | **Available own funds (amounts)** | | |
| 1 | Common Equity Tier 1 (CET1) capital | 1,096,604 | 1,069,578 |
| 2 | Tier 1 capital | 1,096,604 | 1,069,578 |
| 3 | Total capital | 1,098,277 | 1,075,667 |
| | **Risk-weighted exposure amounts** | | |
| 4 | Total risk exposure amount | 5,626,667 | 5,638,817 |
| | **Capital ratios (as a percentage of risk-weighted exposure amount)** | | |
| 5 | Common Equity Tier 1 ratio (%) | 19,49 % | 18,97 % |
| 6 | Tier 1 ratio (%) | 19,49 % | 18,97 % |
| 7 | Total capital ratio (%) | 19,52 % | 19,08 % |
| | **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 (%) | 1,25 % | 1,25 % |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 0,70 % | 1,25 % |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 0,94 % | 1,25 % |
| EU 7d | Total SREP own funds requirements (%) | 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 % |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0,00 % | 0,00 % |
| 9 | Institution specific countercyclical capital buffer (%) | 0,01 % | 0,01 % |
| EU 9a | Systemic risk buffer (%) | 0,00 % | 0,00 % |
| 10 | Global Systemically Important Institution buffer (%) | 0,00 % | 0,00 % |
| EU 10a | Other Systemically Important Institution buffer (%) | 0,00 % | 0,00 % |
| 11 | Combined buffer requirement (%) | 2,51 % | 2,51 % |
| EU 11a | Overall capital requirements (%) | 11,76 % | 11,76 % |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 10,27 % | 9,83 % |
| | **Leverage ratio** | | |
| 13 | Total exposure measure | 12,283,341 | 12,287,058 |
| 14 | Leverage ratio (%) | 8,93 % | 8,70 % |
| | **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 % |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | 0,00 % | 0,00 % |
| EU 14c | Total SREP leverage ratio requirements (%) | 3,00 % | 0,00 % |

| | | | |
|---|---|---|---|
| | **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 % |
| EU 14e | Overall leverage ratio requirement (%) | 3,00 % | 0,00 % |
| | **Liquidity Coverage Ratio** | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 1,340,746 | 1,472,150 |
| EU 16a | Cash outflows - Total weighted value | 878,180 | 892,747 |
| EU 16b | Cash inflows - Total weighted value | 43,128 | 142,749 |
| 16 | Total net cash outflows (adjusted value) | 835,052 | 749,998 |
| 17 | Liquidity coverage ratio (%) | 160,56 % | 196,29 % |
| | **Net Stable Funding Ratio** | | |
| 18 | Total available stable funding | 10,000,184 | - |
| 19 | Total required stable funding | 7,859,754 | - |
| 20 | NSFR ratio (%) | 127,23 % | - |

In Helsinki, 14 February 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

Katarina Segerståhl

Heikki Paasonen

Jaakko Ossa

Hannu Syvänen

# 2. SAVINGS BANKS GROUP AND SAVINGS BANKS AMALGAMATION

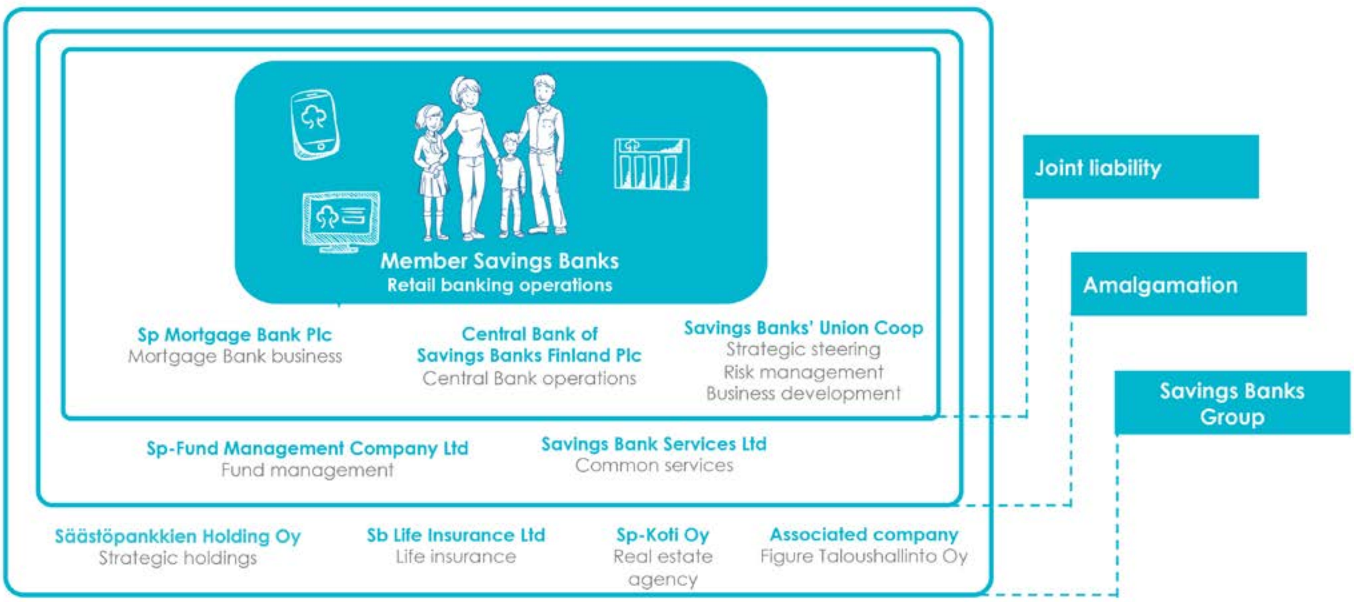
The Savings Banks Group is the most longstanding banking group in Finland, which consists of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop that acts as the Central Institution and the subsidiaries and associated companies owned jointly by the banks.

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 17 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Savings Bank Services Ltd and Sp-Fund Management Company Ltd. The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

Eurajoen Säästöpankki relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 December 2021. In connection with this, Eurajoen Säästöpankki transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 1 December 2021. The number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 18 to 17 due to Eurajoen Säästöpankki leaving the Group.

The governing bodies of Liedon Säästöpankki and Mietoisten Säästöpankki have approved the acquisition of the banking business of Mietoisten Säästöpankki by Liedon Säästöpankki in accordance with the business transfer plan. The aim is to complete the business transaction in early 2022.

Disclosures according to CRR on the differences between the Savings Banks Group and the Savings Banks Amalgamation are disclosed in the section "Other pillar III disclosures". Further information about the structure of the Savings Banks Group can be found also at www.saastopankki.fi/saastopankkiryhma.



# 3. INFORMATION ON CORPORATE GOVERNANCE

## 3.1. GOVERNANCE STRUCTURE

### SAVINGS BANKS' UNION COOP GENERAL MEETING

The highest decision-making authority in the Savings Banks' Union Coop (hereinafter the "Central Institution") belongs to the members participating in the general meeting. The general meeting confirms, among other things, the supervision fees collected from the members of the Savings Banks Group and the principles behind the fees, based on the proposal of the Board of Directors.

### SUPERVISORY BOARD

The general meeting elects the members of the Supervisory Board and their personal deputies for the term extending until the next ordinary general meeting. The Supervisory Board consists of 9-35 members.

At the start of the year, the Supervisory Board had 17 members, each with a personal deputy. The chairman of the Supervisory Board was Antero Savolainen (chairman of the Board of Directors of Säästöpankki Optia). The deputy chairmen were Arto Seppänen (chairman of the Board of Directors of Someron Säästöpankki) and Björn West (chairman of the Board of Directors of Kvevlax Sparbank). The members of the Supervisory Board are primarily chairmen of the Boards of Directors of Savings Banks and their deputies are deputy chairmen of the Boards of Directors of Savings Banks.

The Supervisory Board is responsible for monitoring the governance of the Central Institution by the Board of Directors and the Managing Director making sure that the operations are managed with sound and professional manners, pursuant to the Cooperatives Act, and in the interest of the Central Institution and the Savings Banks Group. The Supervisory Board confirms, based on the proposal of the board of directors, the principles of the Savings Banks Group, the strategy, the principles for capital adequacy management and other common objectives and policies.

The Supervisory Board has confirmed its rules of procedure, which define the duties and meeting practices of the Supervisory Board.

### BOARD OF DIRECTORS

The general meeting elects the members of the Board of Directors for the term extending until the next ordinary general meeting.

According to the Central Institution rules, the Board of Directors consists of six to nine members. The annual general meeting selects the members for the term of one year. The Chairman and the deputy Chairman are appointed in the organising meeting of the Board of Directors.

The Board of Directors consists largely of the savings banks' professional directors or members of the board of directors of savings banks. The assembly of the members secures the presentation of the Swedish speaking banks and different sizes of the banks in The Board of Directors. It also reflects the amount of member banks' liability in the amalgamation and the members' will and capability to improve single banks as the whole amalgamation's competitiveness.

The Board of Directors must comply with the regulation set by the Act of the Credit institution, ECB Banking Supervision and Finnish Financial Supervisory Authority regarding the competence and independence requirements for the Central Institution. Each member of the Board of Directors must present enough accurate information, so that his or her suitability and independence can be justified. The principles concerning diversity have been taken into consideration in the composition of the Board of Directors. Each member of the Board is expected to have enough time to work for the Central Institution. The Board of Directors within the Saving Banks Group are accounted to be one membership.

The principles concerning diversity have been taken into consideration in the composition of the Board of Directors, which have been approved 18.3.2015. The objective is to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve the value through effective monitoring of business operations and to increase the value with insight and strategic thinking. The nomination committee assess regularly the composition of the Board of Directors and give recommendation for the possible changes. The Board of Directors assess regularly through the self-assessment the members of the Board and their competence. The share of female board members was 33 per cent in 2021.

By the decision of the Savings Banks' Union Coop General meeting at 11.3.2021, the members of the Board of Directors were Mrs. Pirkko Ahonen (chairman), Mr. Jari Oivo (vice-chairman), Mrs. Tuula Heikkinen, Mr. Eero Laesterä, Mr. Jaakko Ossa, Mr. Heikki Paasonen, Mr. Ulf Sjöblom, Mrs. Katarina Segerståhl and Mr. Hannu Syvänen. The Directors are CEOs or members of the board of directors of the Savings Banks, except Mrs. Tuula Heikkinen, Mr. Eero Laesterä and Mrs. Katarina Segerståhl, who are the independent members of the Board of Directors.

The Board of Directors is responsible for leading the operations of the Central Institution in accordance with the provisions of the Cooperatives Act, the Act on the Amalgamation of Deposit Banks as well as the rules of the Central Institution. The Board of Directors is also responsible for guiding the operations of the Amalgamation, formulating a strategy for the Savings Banks Group and developing intra-group collaboration.

The Board of Directors has confirmed its rules of procedure, which define the duties and meeting practices of the Board of Directors.

## COMMITTEES

The Supervisory Board has appointed Nomination Committee and Remuneration Committee, and the Board of Directors has elected Audit Committee and Risk Committee. The Supervisory Board and the Board of Directors have approved the rules of procedure for the committees they each have appointed.

The task of the Nomination Committee is to prepare a recommendation regarding the members of the governing bodies of the Central Institution and the Savings Banks' service companies, along with their remuneration.

The Remuneration Committee prepares recommendations to the Supervisory Board concerning the remuneration policies and systems of the Managing Directors and the members of the executive management reporting directly to Managing Directors in member credit institutions of the Savings Banks Amalgamation and other member organisations of the Amalgamation. The Committee also prepares a document on the amalgamation-level remuneration principles for approval by the Supervisory Board.

The task of the Audit Committee is to assist the Board of Directors of the Central Institution in ensuring that the Central Institution, the Amalgamation and the Savings Banks Group apply a comprehensive and appropriately organised accounting, accounting practices and financial reporting. The Committee also supports the Board of Directors in ensuring that the Amalgamation and the Savings Banks Group, to the extent necessary, possess adequate and appropriately organised internal controls, internal audit systems and audit procedures. It furthermore makes sure that the operations and internal controls of the member organisations are organised as required by law, regulations and good management and governance practices; it also supervises the internal control operations.

The task of the Risk Committee is to assist the Board of Directors of the Central Institution in matters concerning risk strategies and risk-taking and to monitor that the Amalgamation complies with the risk strategies as approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Amalgamation and evaluates the adequacy of the policies, controls and processes related to these risks. The Committee assists the Remunaration Committee in creating adequate compensation systems.

In addition, the Board of Directors of the Central Institution has appointed an Asset and Liability committee to assist the Risk Committee in its area of responsibilities and to plan and co-ordinate the funding of the Amalgamation together with the Central Bank of Savings Bank Finland's Treasury.

## MANAGING DIRECTOR

The Board of Directors elects the Central Institution's Managing Director and his/her deputy. The Managing Director's tasks include the day-to-day management of the Central Institution according to the provisions of the Cooperatives Act, implementing the Savings Banks Group's strategy in line with the Board's guidelines and provisions, preparing issues for presentation to the Board of Directors and assisting the Board of Directors in the preparation of issues to be taken up by the Supervisory Board and the general meeting.

The Managing Director of the Central Institution is Mr. Tomi Närhinen and his deputy from 4 January 2021 is Mr. Karri Alameri.

## 3.2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK OF THE SAVINGS BANKS AMALGAMATION

In accordance with the Amalgamation Act, the Central Institution of the Amalgamation is supervised by the Finnish Financial Supervisory Authority. Its member credit institutions are supervised by the Finnish Financial Supervisory Authority and the Central Institution. The Financial Supervisory Authority ensures that the Central Institution monitors and guides the operations of the member credit institutions in accordance with the provisions of the Amalgamation Act and that the member organizations comply with their legal obligations.

The Central Institution ensures that the Amalgamation members conduct their business according to the laws, decrees and regulations concerning financial markets as well as in line with their own rules and Articles of Central Institution and the guidelines issued by the Central Institution by virtue of Section 17 of the Amalgamation Act. The Central Institution also monitors the financial standing of the member organisations.

The Central Institution must have reliable governance that makes efficient risk management possible along with internal controls commensurate with Amalgamation operations and sound risk-management systems. The principles to be followed in the risk management of the Savings Banks Amalgamation are included in the risk and solvency management principles approved by the Central Institution's Board of Directors, described in the notes to risk management.

Pursuant to the Amalgamation Act, the aggregate amount and liquidity of the Amalgamation`s own funds are monitored at the amalgamation level on a consolidated basis. The Central Institution is responsible for monitoring the operations of the member credit institutions and giving them guidance in risk management, reliable governance and internal control needed to secure their liquidity and solvency. It also guides the members in the preparation of consolidated financial statements based on uniform accounting principles. The Central Institution may also establish general operating principles for the member credit institutions to observe in operations that are considered important for the Amalgamation.

Each member credit institution operates independently relying on its own resources. A member institution may not take risks that could put the Amalgamation in danger in terms of the members' combined solvency or liquidity.

The Amalgamation must comply with the requirements regarding minimum consolidated own funds, laid down in the Act on Credit Institutions. As a minimum, the member institutions of the Amalgamation must maintain aggregate own funds that are sufficient to cover the combined risks, specified in the Act on Credit Institutions, of the member institutions. The consolidated own funds of the member institutions must also be sufficient considering the consolidated customer risks and significant ownerships of the member institution of the Amalgamation.

The internal control system comprises financial and other controls. Internal control is the part of management and operations intended to ensure

- The achievement of goals and objectives
- Economical and efficient processes
- Management of risks related to operations
- The reliability and validity of financial and other management information
- Compliance management
- Adequate security of operations, data as well as company and customer assets, and
- Appropriate and adequate manual and automated information systems in support of business operations.

Internal control, for which all functions and organisational levels take responsibility, is part of the operational activities; it is an integral part of daily operations. Crucial for a working and effective control system is that an appropriate internal control structure and control measures have been defined for all business levels, including adequate guidelines, control measures, follow-up and reporting.

The Central Institutions Board of Directors is primarily responsible for organising, implementing and securing the functioning of the internal control system. The Board of Directors of the central institution approves the principles pertaining to corporate governance and internal control.

The following functions, which are independent of business operations, have been established within the Central Institution to ensure effective and comprehensive internal control in all the member companies within the Amalgamation and the Savings Banks Group:

- Risk control
- Compliance
- Internal audit

The Central Institution's Risk control function maintains and develops methods for managing risks within the Savings Banks Group. This ensures that all, even new, fundamental but previously unidentified risks are covered by the risk management of Savings Banks Group's business lines.

The Board of Directors monitors the business performance and associated risks of the Amalgamation regularly and decides on reporting, procedures as well as qualitative and quantitative indicators used to assess the efficiency and performance of the operations. The Central Institution is tasked with the Amalgamation-level risk control, compliance- and financial reporting.

To carry out this responsibility, the Central Institution's Supervisory Board and Board of Directors appoint the committees laid down in the Act on Credit Institutions and any other committees they consider necessary to support their work. They also confirm the organisation of the Central Institution's management and describe the main areas of responsibility.

The Board of Directors of the member credit institutions are responsible for arranging internal controls for their own organisations in accordance with legislation, government regulations and the internal guidelines of their own Board of Directors and the Board of Directors of the Central Institution. The member credit institutions of the Savings Banks Amalgamation must make appropriately organised internal control a part of their daily business operations.

The Central Institution's executive management has a functional responsibility for the operations of the Amalgamation's Central Institution under authorisation of the Savings Banks' Union Coop's Board of Directors.

At the Amalgamation level, the Central Institution's executive management is responsible for:

- Developing and maintaining measures, guidelines and instructions leading to reliable governance that enables efficient risk management, internal controls commensurate with Amalgamation operations and secure functioning of the controls
- Reporting on and controlling the quality and development of various risk areas
- Ensuring efficient and all-around functioning of the practical measures of internal controls
- Ensuring that any shortcomings and development needs of internal control are documented and reported for corrective actions to the members of the management responsible for internal control in each entity, and
- Ensuring that the Central Institution's Board of Directors and Supervisory Board are aware of the functioning of the internal controls and can verify their own responsibilities in an efficient and comprehensive manner.

Internal control is supported by appropriate reporting, which is used to monitor the quality, scale and diversity of operations, and by descriptive reporting to monitor operations, performance and risks associated with operations. Reporting shall be reliable, clear and up to date. Reporting on financial, risk management and compliance activities is prepared centrally and separately from business activities.

## 3.3. REMUNERATION

The Savings Banks Amalgamation's remuneration system for personnel and management is based on current legislation, the regulations and recommendations governing the financial sector and, where applicable, the Finnish Corporate Governance Code.

The member credit institutions of the Savings Banks Amalgamation adhere to the provisions of Chapter 8 of the Act on Credit Institutions (610/2014) and the Savings Banks Amalgamation's remuneration principles. Remuneration also complies with EU and Finnish legislation and the orders and guidelines issued by the authorities.

However, the Savings Banks Group does not apply the provisions of Sections 9, 11 and 12 in Chapter 8 of the Act on Credit Institutions to those employees whose variable remuneration for a one-year earning period does not exceed EUR 50,000 and whose variable remuneration for a one-year period does not exceed 100% of the employee's total fixed remuneration.

By 'remuneration systems' it is meant the decisions, contracts, policies and procedures that are followed in rewarding the management and personnel. The remuneration system includes both the rewarding method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure the Amalgamation's competitiveness, good economic growth, inventiveness, commitment and availability of new competent persons. The Savings Banks Amalgamation sees the remuneration system as a comprehensive package that supports the motivation and job satisfaction of the personnel. It is used to guide the operations towards the common goals. The remuneration system includes financial remuneration components as well as other components, such as the maintenance and development of professional competence. As such, financial compensation is only one part of the bigger picture, and emphasis is also placed on other forms of remuneration.

The remuneration system is consistent with the good and efficient risk management of the member credit institutions and member companies of the Amalgamation and is always implemented within the framework of the Amalgamation's current risk-management principles. Remuneration does not encourage risk-taking that would exceed the sustainable risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the Savings Banks' Union Coop.

The Central Institution's Supervisory Board decides on the proposal of the Remuneration Committee, on the remuneration principles of the Savings Banks

Amalgamation. The Central Institution's Remuneration Committee monitors and controls the functioning and competitiveness of the remuneration systems of the member credit institutions and companies ensuring their ability to support short and long-term goals of the Amalgamation and prepares proposals to the Board of Directors for the development of the remuneration system. The remuneration principles are reviewed and, if necessary, amended annually to ensure that they are up to date. They are also reviewed and amended whenever there are changes in the operating environment, the regulatory environment or the requirements imposed by the authorities.

The Remuneration Committee consists of minimum four members. Three members chosen by the Central Institution's Supervisory Board plus one independent member of the Savings Banks form the Committee. The Committee may also use various experts who may be invited to participate in committee meetings. The make-up and work of the Committee have been organised in such a way as to allow the committee to assess independently the incentives and other impacts of the remuneration systems on the risk, capital and liquidity management.

The Savings Banks Amalgamation's Risk Committee evaluates, and reports to the Remuneration Committee on, whether the remuneration systems and practices take into account factors such as risks as well as requirements concerning capital and liquidity.

Compliance Officers are required to participate in the planning of remuneration practices and, for their part, ensure that the remuneration policies and practices of each bank and company comply with the current regulations and the Amalgamation's guidelines. The Compliance function monitors the remuneration system and practices in accordance with its annual plan. Observations concerning the remuneration system are reported to the executive management of the member credit institution/company, the Board of Directors and the central institution's Compliance function. The central institution's Compliance function reports summaries of its observations to the Supervisory Board's Remuneration Committee and the Board of Directors of the central institution as part of its regular reporting activities.

The internal audit of the Amalgamation's Central Institution issues an annual assessment on compliance with the remuneration to the Board of Directors of the member organisation or company. The internal audit of the Amalgamation's Central Institution also issues an Amalgamation-level assessment to the Central Institution's Supervisory Board on compliance with the remuneration system based on the company-level assessments. Key observations are also reported to the Central Institution's Remuneration Committee.

The boards of directors of the Amalgamation's member organisations and companies decide, for their part, on their entity's remuneration system as well as the short-term and long-term targets of remuneration in a manner that supports the business objectives and management of the individual member organisation or company. The boards of directors of the Amalgamation's member organisations and companies also decide, for their part, on the payment of remuneration based on the achievement of targets while observing the risk adaptation process.

The remuneration of functions independent of business operations is controlled by the board of the member credit institution, member company or the Central Institution. Such remuneration may not depend on the outcome of the business unit which they control but must be based on the achievement of the goals set for the control.

The Savings Banks Group has identified significant risk-takers who can impact a bank's risk profile or through their actions cause considerable financial risk to a bank. The persons affecting the risk profile of the Amalgamation include the Managing Directors and other people participating in the management and decision-making in the member credit institutions, Central Institution or other member organisations along with other people with a major impact on the company's risk exposure, including people associated with functions independent of business operations. The Central Institution gathers up-to-date information about significant risk-takers. Each member institution is responsible for the accuracy and timeliness of its own information.

If a person, who is assigned to a group whose professional duties may cause significant risk to a member credit institution or the company ("person affecting risk profile"), is proposed to be paid more than EUR 50,000 annually, the provisions of the Act on Credit Institutions on deferring the payment of variable remuneration are applied.

This section contains qualitative (EU MRA) and quantitative information on remuneration with accordance with capital requirement regulation (CRR). The salaries, wages and remuneration of the financial year are shown in the note 13 "Personnel expenses" of the Savings Banks Group's financial statements.

## TABLE EU REM1 – REMUNERATION AWARDED FOR THE FINANCIAL YEAR

| | | | a | b | c | d | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Other identified staff | | | | |
| 31.12.2021 (EUR 1,000) | | | MB Supervisory function | MB Manage-ment function | Other senior manage-ment | Total | Retail | Asset management | Corporate functions | Independent internal control functions |
| 1 | Fixed remunation | Number of identified staff | 16 | 9 | 10 | 70 | 60 | 2 | 0 | 8 |
| 2 | | Total fixed remuneration | 130 | 1,046 | 1,762 | 7,630 | 6,637 | 348 | | 645 |
| 3 | | Of which: cash-based | 130 | 1,046 | 1,762 | 7,630 | 6,637 | 348 | | 645 |
| 9 | Variable remunation | Number of identified staff | 16 | 9 | 10 | 70 | 60 | 2 | 0 | 8 |
| 10 | | Total variable remuneration | | 57 | 361 | 1,284 | 1,117 | 76 | | 91 |
| 11 | | Of which: cash-based | | 57 | 361 | 1,284 | 1,117 | 76 | | 91 |
| 17 | Total remuneration (2 + 10) | | 130 | 1,103 | 2,123 | 8,914 | 7,754 | 424 | | 736 |

## TABLE EU REM2 – SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

| | | a | b | c | d |
|---|---|---|---|---|---|
| **31.12.2021 (EUR 1,000)** | | **MB Supervisory function** | **MB Manage-ment function** | **Other senior management** | **Other identified staff** |
| | **Guaranteed variable remuneration awards** | | | | |
| 1 | Guaranteed variable remuneration awards - Number of identified staff | 0 | 0 | 0 | 0 |
| 2 | Guaranteed variable remuneration awards -Total amount | 0 | 0 | 0 | 0 |
| 3 | Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap | | | | |
| | **Severance payments awarded in previous periods, that have been paid out during the financial year** | | | | |
| 4 | Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff | 0 | 0 | 0 | 0 |
| 5 | Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount | 0 | 0 | 0 | 0 |
| | **Severance payments awarded during the financial year** | | | | |
| 6 | Severance payments awarded during the financial year - Number of identified staff | 0 | 0 | 0 | 8 |
| 7 | Severance payments awarded during the financial year - Total amount | | | | 472 |
| 8 | Of which paid during the financial year | | | | 472 |
| 9 | Of which deferred | | | | 0 |
| 10 | Of which severance payments paid during the financial year, that are not taken into account in the bonus cap | | | | 472 |
| 11 | Of which highest payment that has been awarded to a single person | | | | 257 |

## TABLE EU REM5 – INFORMATION ON REMUNERATION OF STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

| | | a | b | c | e | f | g | h | j |
|---|---|---|---|---|---|---|---|---|---|
| | | Management body remuneration | | | Business areas | | | | |
| | 31.12.2021 (EUR 1,000) | MB Supervisory function | MB Management function | Total MB | Retail banking | Asset management | Corporate functions | Independent internal control functions | Total |
| 1 | Total number of identified staff | | | | | | | | 105 |
| 2 | Of which: members of the MB | 16 | 9 | 25 | | | | | |
| 3 | Of which: other senior management | | | | 4 | | 6 | 2 | |
| 4 | Of which: other identified staff | | | | 60 | 2 | 0 | 6 | |
| 5 | Total remuneration of identified staff | 130 | 1,103 | 1,233 | 8,873 | 424 | 1,004 | 736 | 12,270 |
| 6 | Of which: variable remuneration | | 57 | 57 | 1,312 | 76 | 166 | 91 | 1,702 |
| 7 | Of which: fixed remuneration | 130 | 1,046 | 1,176 | 7,561 | 348 | 839 | 645 | 10,568 |

# 4. INFORMATION ON RISK MANAGEMENT

## 4.1. GENERAL PRINCIPLES AND OBJECTIVES FOR RISK MANAGEMENT

The Savings Banks' Union Coop acts as the Central Institution of the Savings Banks Amalgamation. According to the Amalgamation Act the Central Institution has the right to steer and the obligation to monitor the operations of the member credit institutions. The Central Institution conducts its tasks of steering and monitoring on both the Savings Banks Amalgamation and the member credit institution levels. The Board of Directors of the Central Institution has approved the most significant risk strategies and other operating principles. It also decides on the use of necessary means of control according to the Amalgamation Act and the Savings Banks Group's operating principles.

The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered has complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The most significant service and product companies of the Savings Banks Group are Central Bank of Savings Banks, Sp Mortgage Bank Plc, Sp Life Insurance, Sp Fund Management Company, Savings Bank Services Ltd and Sp Koti.

The risk and capital adequacy management processes are regulated by the Act on Credit Institutions, the Act on Insurance Companies, the Amalgamations Act, directly binding EU regulations together with the regulations and guidelines of the FIN FSA. According to the Amalgamations Act the minimum consolidated capital adequacy and liquidity of the companies within the Savings Banks Amalgamation shall be controlled on a consolidated basis at the Savings Banks Amalgamation level.

The membership of the Savings Banks Amalgamation includes the responsibility for the operations of the Savings Banks Amalgamation and its member institutions. The responsibility means that each of the member institution in their decision-making takes into account the effect on the operations of their own organization as well as on the operations of the other member institutions within the Savings Banks Amalgamation. Each Savings Bank takes risks within its own funds, capital adequacy and liquidity and operates within its own risk-bearing capacity.

The objective for the Savings Banks Amalgamation's risk management is to recognize the threats and possibilities affecting the implementation of the Savings Banks Amalgamation's strategy.

The objective of the capital adequacy management is to ensure the risk-bearing capacity of the Savings Banks Amalgamation and its member organizations as well as the continuity of their operations. The Savings Banks Amalgamation's strategy defines the objectives for risk-bearing capacity and risk appetite together with other risk management objectives in relation the business objectives.

The Savings Banks Amalgamation has efficient corporate governance ensuring adequate risk management as well as adequate internal control and risk management framework. The corporate governance, internal control and risk management framework must comply with legislation and the regulations and guidelines issued by the authorities. The principles of the corporate governance are described in more detail in Note 4 Corporate governance policies of the Savings Banks Group's financial statement.

The Savings Banks Group conducts retail banking, central credit institution services, mortgage credit banking, investment and asset management, life insurance and real estate brokerage. The most significant risks affecting the banking segment are credit, interest rate and liquidity risks. The life insurance business is affected by the market, insurance and counterparty risks. Business and operational risks including legal and compliance risks arise within all business areas.

## 4.2. RISK MANAGEMENT PRINCIPLES AND GOVERNANCE

Risk management framework includes identifying, assessing, measuring, mitigating and monitoring risks arising from the Savings Banks Amalgamation's business operations. The purpose of risk management is to minimize the likelihood of unforeseeable losses or reputational risk in order to ensure the implementation of the Savings Banks Group's strategy.

Risk and capital adequacy management enables the identification, assessment and measurement of risks, limiting them to a level of the Savings Banks Amalgamation's risk appetite. The capital needed for the various risk areas and business lines is determined in a reliable and independent manner and allocated systematically. This is done based on current and planned risk-taking and taking into account the requirements of appropriate liquidity management.

The Central Institution is responsible for the risk and capital adequacy management and the adequacy and maintenance of the risk management framework at the Savings Banks Amalgamation level. The Central Institution gives the member organizations guidelines in risk management, corporate governance and internal control in order to ensure their liquidity and capital adequacy. The Central Institution also gives guidelines to the member organizations regarding the accounting principles for preparation of Savings Banks Group's consolidated financial statements. The Central Institution monitors that the member institutions within the Savings Banks Amalgamation comply with internal operating principles and follow the rules of good banking practices in their customer relationship. The Central Institution approves the principles for the internal control framework. The risk management strategy is based on the objectives and business strategy, risk management instructions and guidelines and authorization structure approved by the Board of Directors together with the risk and follow-up reporting related to the most significant business lines.

The member institutions are responsible for the risk management framework and the risk and capital adequacy management within their own organizations in relation to the nature, scale and complexity of their business. The basis for risk management within the Savings Banks Amalgamation is that a member institution does not take such significant risks in its operations that it would jeopardise the liquidity and/or the capital adequacy of the member institution. When each member institution operates within its risk-bearing capacity and ensures its' liquidity and capital adequacy even during less favourable economic conditions, also the liquidity and the capital adequacy of the Savings Banks Amalgamation are ensured. The Board of Directors of the member institution defines the risk appetite by approving the risk area specific risk strategies, risk limits and other thresholds. The monitoring follows the implementation of the risk strategies and reporting of the risk limits and other thresholds conducted independently from the business operations.

In order to ensure the adequacy of the risk management within the Savings Banks Amalgamation the Board of Directors of the Central Institution has set a Risk Committee. The task of the Risk Committee is to assist the Board of Directors of the Central Institution in matters concerning risk strategies and risk-taking and to monitor that the Savings Banks Amalgamation complies with the risk strategies as approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Savings Banks Amalgamation and evaluates the adequacy of the policies, controls and processes related to these risks. Risk Committee congregates monthly.

The task of the Asset and Liability Committee is to assist the Board of Directors and Risk Committee in their areas of responsibilities and ensure that the structural liquidity and market risk including interest rate and investment risk of the Savings Banks Amalgamation remain at the level that ensures the continuity of the Savings Banks Amalgamation's operations. In addition, the Asset and Liability Committee plans and co-ordinates the funding and liquidity management of the Savings Banks Amalgamation together with the Central Bank of Savings Bank's Treasury.

The Central Institution has established the following functions, independent of business operations, to ensure an efficient and comprehensive internal control system for all member organizations of the Savings Banks Amalgamation:

- Risk Control
- Compliance
- Internal Audit

The task of the independent Risk Control unit is to ensure and monitor that the risk management framework of the Savings Banks Amalgamation is adequate in relation to the nature, scale, complexity and risk level of the Savings Banks Amalgamation's business operations. The Risk Control unit assists the Board of Directors and senior management of the Savings Banks Amalgamation in their task to arrange adequate risk management framework and monitor the functionality and efficiency of the risk management framework.

The Compliance unit ensures that the Savings Banks Amalgamation complies with the legislation and authorities' regulation and guidelines. The Compliance unit is responsible for monitoring that the Savings Banks Amalgamation complies with the internal guidelines, ethical guidelines given to the personnel and other guidelines applied within the financial markets.

The internal audit of the Central Institution verifies through its independent activity that the Board of Directors of the Central Institution and its Audit Committee have access to a correct and comprehensive view of the profitability, efficiency, state of internal control and diverse operational risks of the Savings Bank Group and Savings Banks Amalgamation.

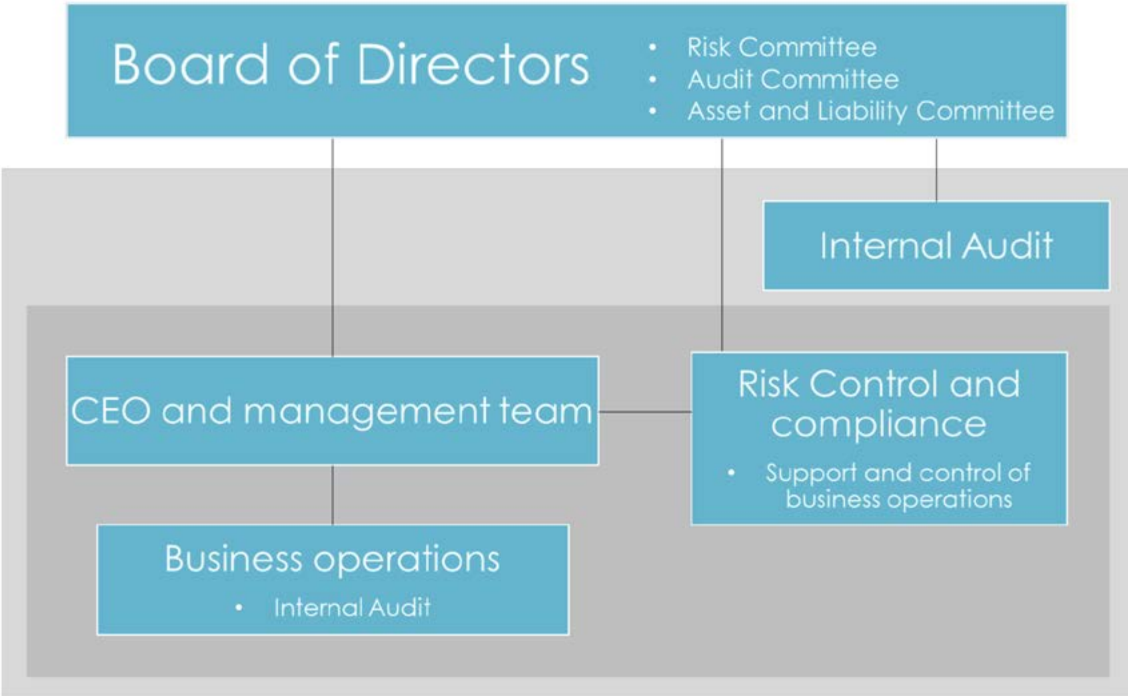



Chart: Risk management governance of the Central Institution

The Boards of Directors of the Savings Banks Amalgamation's member organizations are responsible for arranging the internal control framework within their own organizations in accordance with legislation, government regulations and the guidelines of the Board of Directors of the Central Institution. The CEOs together with the other senior management of the member organizations are responsible for arranging internal controls for their own organizations in accordance with legislation, government regulations and the internal guidelines of their own Board of Directors and the Board of Directors of the Central Institution.

The methods of risk management in the Savings Banks Amalgamation are maintained and developed by Central Institution's Risk Control unit. The objective is to ensure that the risk management covers all material risks, including any new and previously unidentified risks.

All significant loans or commitments including significant risk are made in accordance with collegial decision-making processes, and there is a lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of made decisions is monitored through approval and verification process, controls and reconciliations together with adequate monitoring and reporting.

Risk strategies and limit structure for each risk area have been established at the Savings Banks Amalgamation. The risk strategies are complemented by the operational guidelines of the Board of Directors of the Central Institution. The risk strategies include the identification, measurement and assessment of risks and the description of limits, monitoring and reporting of the risks.

The risk positions are regularly reported to the Board of Directors of the Central Institution. The Board also approves the framework for risk appetite by setting risk limits and other thresholds for different risk areas at the Savings Banks Amalgamation level.

# 5. CAPITAL ADEQUACY, LEVERAGE RATIO AND MREL-REQUIREMENTS

## 5.1. CAPITAL ADEQUACY MANAGEMENT

The objective of the capital adequacy management process is to ensure that the quantity and quality of capital are adequate and in proportion with the nature, scale and complexity of the Savings Banks Amalgamation's operations and with all the risks resulting from its business operations and operating environment. To achieve this objective, the Savings Banks Amalgamation identifies and assesses the risks associated with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks. The Savings Banks Amalgamation's capital adequacy management is based on the capital adequacy requirements and internal assessment process of capital adequacy defined in the Capital Requirements Directive (CRD IV) and Regulation (CRR) Pillar I of the European Parliament and of the Council. In the internal assessment process, the Savings Banks Amalgamation estimates the amount of capital need to cover any unforeseen losses resulting from risks outside of Pillar I. The internal capital requirement is been called Pillar I+, which is the minimum capital requirement (Pillar I) plus risks outside of Pillar I, such as the interest rate risk associated with the banking book, market risk associated with the investment portfolio and business risk.

The Board of Directors of the Central Institution has the responsibility for the management of the Savings Banks Amalgamation's capital adequacy. The Board of Directors of the Central Institution approves the basis, objectives and principles for the Savings Banks Amalgamation's capital adequacy management. The Board of Directors also confirms the overall requirements for the measurement and assessment of capital adequacy and the overall principles for the management process of capital adequacy. In practice, this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the Savings Banks Amalgamation's business operations and changes in the operating environment. The Board of Directors monitors regularly the profitability and risk profile of the Savings Banks Amalgamation and makes the decisions on necessary reporting and procedures together with the qualitative and quantitative measures that have used to assess the efficiency and profitability of the operations.

The Board of Directors of the Central Institution has set a quarterly followed threshold for the capital ratio. The long-term minimum requirement for the CET1 capital is 18 %.

The Savings Banks Amalgamation uses stress tests to assess its own risk position and the adequacy of its capital. The purpose of stress tests is to estimate how different exceptionally serious but possible situations may affect the profitability, capital adequacy and adequacy of own funds. Stress tests have designed to identify the key risks to the Savings Banks Amalgamation and to assess how vulnerable its structure is to the occurrence of those risks. The objective of the capital adequacy management is also to maintain and develop the quality of the risk management framework.

The Savings Banks Amalgamation's capital contingency plan has been done in order to be prepared for unforeseeable events that may threaten its capital adequacy. The capital contingency plan includes target and follow up levels set by the Board of Directors for the quantity and quality of the capital, that are to be monitored and controlled quarterly by the Risk Control unit of the Central Institution. In the event that capital adequacy falls to the level of or below the early warning threshold, the Risk Control unit of the Central Institution shall analyze the reasons causing the situation and report the findings to the Board of Directors's Risk Committee and Board of Directors who will make the necessary decision on the activation of the contingency plan.

## 5.2. CAPITAL ADEQUACY

At the end of 2021, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1,098.3 (1,075.7) million, of which CET1 capital accounted for EUR 1,096.6 (1,069.6) million. The growth in CET1 capital was mainly due to the profit for the financial year. Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital accounted for EUR 1.7 (6.1) million, which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,626.7 (5,638.8) million, i.e., they were -0.2 % lower than at the end of the previous year. The decrease in risk-weighted exposure amounts was primarily driven by the exit of Eurajoki Säästöpankki from the Savings Banks Group's Amalgamation, the reduction of the investment portfolio and the extension of the SME support factor resulting from the amendment to the Capital Requirements Regulation (CRR). The increase in risk-weighted exposure amounts was primarily driven by the increase in the credit portfolio, while the new definition of default and the increase in risk-weighted assets for operational risk slightly increased the amount of risk-weighted exposures. The capital ratio of the Savings Banks Amalgamation was 19.5 (19.1) % and the CET1 capital ratio was 19.5 (19.0) %.

## CAPITAL ADEQUACY'S MAIN ITEMS

| (EUR 1,000)<br>**Own funds** | **31.12.2021** | **31.12.2020** |
|---|---|---|
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 1,137,326 | 1,113,328 |
| Total regulatory adjustments to Common Equity Tier 1 (CET1) | -40,722 | -43,750 |
| Common Equity Tier 1 (CET1) capital | 1,096,604 | 1,069,578 |
| | | |
| Tier 1 capital (T1 = CET1 + AT1) | 1,096,604 | 1,069,578 |
| | | |
| Tier 2 (T2) capital before regulatory adjustments | 1,673 | 6,089 |
| Total regulatory adjustments to Tier 2 (T2) capital | | |
| Tier 2 (T2) capital | 1,673 | 6,089 |
| | | |
| Total capital (TC = T1 + T2) | 1,098,277 | 1,075,667 |
| | | |
| Risk weighted assets | 5,626,667 | 5,638,817 |
| of which: credit and counterparty risk | 4,973,830 | 4,980,108 |
| of which: credit valuation adjustment (CVA) | 83,472 | 111,723 |
| of which: market risk | | 29,883 |
| of which: operational risk | 569,365 | 517,102 |
| | | |
| Common Equity Tier 1 (as a percentage of total risk exposure amount) | 19,5 % | 19,0 % |
| Tier 1 (as a percentage of total risk exposure amount) | 19,5 % | 19,0 % |
| Total capital (as a percentage of total risk exposure amount) | 19,5 % | 19,1 % |
| | | |
| **Capital requirement** | | |
| Total capital | 1,098,277 | 1,075,667 |
| Capital requirement total* | 661,465 | 663,015 |
| of which: Pillar 2 additional capital requirement | 70,333 | 70,485 |
| Capital buffer | 436,812 | 412,652 |

*The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, the 0.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

Pillar III information on the composition of the regulatory own funds (CC1), reconciliation of the regulatory own funds to balance sheet in the Savings Banks Group's financial statements is provided in the table EU CC2, and the main features of the own funds instruments and prudent value adjustments (EU PV1) are disclosed in the section "Other pillar III disclosures".

## 5.3. CAPITAL ADEQUACY REQUIREMENTS AND CALCULATION METHODS

The standard method is used to calculate the capital requirement to the credit and counterparty risk of the Savings Banks Amalgamation and the capital requirement to the operational risk is calculated by the basic method. Capital requirement to the credit valuation adjustment (CVA) is calculated by the standardized method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. The Savings Banks Amalgamation does not have a trading book and the amalgamation's business does not involve taking commodity risk. Risk weighted assets (TREA, total risk exposure amount) and 8% minimum requirement based on risk weighted assets are stated in the table EU OV1. A major part of the risk weighted assets of the Amalgamation consists of credit and counterparty risk (88%). The rest of the risk weighted assets consists of operational risk (10%) and credit valuation adjustment (1%).

### EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

| | | Total risk exposure amounts (TREA) | | Total own funds requirements |
|---|---|---|---|---|
| **(EUR 1,000)** | | 31.12.2021 | 31.12.2020 | 31.12.2021 |
| 1 | Credit risk (excluding CCR) | 4,956,929 | 4,959,063 | 396,554 |
| 2 | Of which the standardised approach | 4,956,929 | 4,959,063 | 396,554 |
| 6 | Counterparty credit risk - CCR | 100,373 | 132,768 | 8,030 |
| EU 8b | Of which credit valuation adjustment - CVA | 83,472 | 111,723 | 6,678 |
| 9 | Of which other CCR | 16,901 | 21,045 | 1,352 |
| **15** | **Settlement risk** | | | |
| 20 | Position, foreign exchange and commodities risks (Market risk) | | 29,883 | |
| 21 | Of which the standardised approach | | 29,883 | |
| 23 | Operational risk | 569,365 | 517,102 | 45,549 |
| EU 23a | Of which basic indicator approach | 569,365 | 517,102 | 45,549 |
| 29 | Total | 5,626,667 | 5,638,817 | 450,133 |

Risk weighted assets and capital requirement to the operational risk are presented in the table EU OR1. Capital requirement to the operational risk is calculated by the basic method as a three-year average of the relevant indicator.

### TABLE EU OR1 - OPERATIONAL RISK OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Relevant indicator | | | Own funds requirements | Risk exposure amount |
| | **31.12.2021 (EUR 1,000)** | Year-3 | Year-2 | Last year | | |
| 1 | Banking activities subject to basic indicator approach (BIA) | 302,745 | 296,473 | 311,766 | 45,549 | 569,365 |

The capital requirement of the Savings Banks Amalgamation was EUR 661.5 (663.0) that equals to 11.76 % of risk-weighted assets. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8% minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures. Further information on the country-specific countercyclical capital requirement is disclosed in the tables EU CCyB1 and EU CCyB2.

## COMBINED CAPITAL REQUIREMENT, %

| 31.12.2021 | Minimum requirement | Pillar 2 (SREP) -requirement | Capital conservation buffer | Countercyclical capital buffer | Combined capital requirement |
|---|---|---|---|---|---|
| CET1 | 4,50 | 0,70 | 2,50 | 0,01 | 7,71 |
| AT1 | 1,50 | 0,23 | | | 1,73 |
| T2 | 2,00 | 0,31 | | | 2,31 |
| Total | 8,00 | 1,25 | 2,50 | 0,01 | 11,76 |

## TABLE EU CCYB1 - GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER

| | | a | f | g | j | k | l | m |
|---|---|---|---|---|---|---|---|---|
| | | General credit exposures | Total exposure value | Own fund requirements | | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| **31.12.2021 (EUR 1,000)** | | Exposure value under the standardised approach | | Relevant credit risk exposures - Credit risk | Total | | | |
| **010** | **Breakdown by country** | | | | | | | |
| 011 | Norway | 24,318 | 24,318 | 1,548 | 1,548 | 19,347 | 0,39 % | 1,00 % |
| 012 | Slovakia | 1,008 | 1,008 | 15 | 15 | 190 | 0,00 % | 1,00 % |
| 013 | Czech Republic | 1,522 | 1,522 | 122 | 122 | 1,522 | 0,03 % | 0,50 % |
| 014 | Luxembourg | 17,787 | 17,787 | 1,386 | 1,386 | 17,327 | 0,35 % | 0,50 % |
| 015 | Other countries | 9,940,917 | 9,940,917 | 390,651 | 390,651 | 4,883,136 | 99,22 % | 0,00 % |
| 020 | Total | 9,985,552 | 9,985,552 | 393,722 | 393,722 | 4,921,521 | 100,00 % | |

## TEMPLATE EU CCYB2 - AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

| **(EUR 1,000)** | | **31.12.2021** |
|---|---|---|
| 1 | Total risk exposure amount | 5,626,667 |
| 2 | Institution specific countercyclical capital buffer rate | 0,01 % |
| 3 | Institution specific countercyclical capital buffer requirement | 331 |

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is currently 1.25 (1.25) %. Based on the Financial Supervisory Authority's decision in November 2021, the Pillar II capital requirement will rise to 1.5 % effective from 30 June 2022. At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

At its meeting on 6 April 2020, the Board of the Financial Supervisory Authority decided to remove the systemic risk buffer, which lowered the Saving Bank Amalgamation's capital requirement by one percentage point. The aim of the decision is to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy.

In the year 2021 the Financial Supervisory Authority has not decided to impose the countercyclical capital buffer requirement, which may range from 0 to 2.5 % of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

The Finnish Financial Supervisory Authority is responsible for domestic macro prudential decision making after hearing the Bank of Finland, Ministry of Finance and Ministry of Social Affairs and Health. Decisions on the activation of macro prudential instruments are taken on a quarterly basis for loans secured by mortgages on immovable property (CRR Article 124 and 164) and for countercyclical buffer. Decisions on O-SII buffers are made annually and at least every other year on systemic risk buffer.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Savings Banks Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Savings Banks Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority has granted permission to the Central Institution of the Savings Banks Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Savings Banks Amalgamation's member credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

The Financial Supervisory Authority has granted permission to the Central Institution of the Savings Banks Amalgamation based on the CRR article 18 Sb Life Insurance Ltd (7) not to apply the equity method to the equity holdings of Sb Life Insurance Ltd shares, which are disclosed in the table EU INS, and continue to apply the current method.

## TABLE EU INS1 – INSURANCE PARTICIPATIONS

| 31.12.2021 (EUR 1,000) | | Exposure value | Risk exposure amount |
|---|---|---|---|
| 1 | Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds | 23,605 | 59,012 |

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.

## 5.4 LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation was 8.9 % (8.7 %) clearly exceeding the 3 % minimum requirement that became valid on 28 June 2021. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. In the year 2021, the leverage ratio strengthened because total leverage exposure increased less than Tier 1 capital. The increase of exposures was the most significant in the corporate exposure class. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process. The risk of excessive leverage is managed as part of the capital management process. The development of the leverage ratio is estimated based on the Group's business plan and stress scenarios. The expected development of the leverage ratio is taken into account when setting the target and threshold levels for capital adequacy.

### LEVERAGE RATIO

| (EUR 1,000) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Tier 1 capital | 1,096,604 | 1,069,578 |
| Total leverage ratio exposures | 12,283,341 | 12,286,958 |
| Leverage ratio | 8,9 % | 8,7 % |

The reconciliation of the Savings banks group's accounting assets and the Savings Banks Amalgamation's leverage ratio exposures is disclosed in the table EU LR1, general information on leverage ratio in the table EU LR2 and the split-up of on balance sheet exposures by exposure class in the table EU LR3.

### TABLE EU LR1 – LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

| 31.12.2021 (EUR 1,000) | | Applicable amount |
|---|---|---|
| 1 | Total assets as per published financial statements | 13,079,096 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation | -1,145,674 |
| 8 | Adjustment for derivative financial instruments | 62,121 |
| 10 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 311,046 |
| 12 | Other adjustments | -23,248 |
| 13 | Total exposure measure | 12,283,341 |

## TABLE EU LR3 - LRSPL: SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

| 31.12.2021 (EUR 1,000) | | CRR leverage ratio exposures |
|---|---|---|
| EU-1 | Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which: | 11,915,335 |
| EU-2 | Trading book exposures | |
| EU-3 | Banking book exposures, of which: | 11,915,335 |
| EU-4 | Covered bonds | 24,489 |
| EU-5 | Exposures treated as sovereigns | 1,308,443 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns | 5,114 |
| EU-7 | Institutions | 151,079 |
| EU-8 | Secured by mortgages of immovable properties | 6,751,729 |
| EU-9 | Retail exposures | 1,854,175 |
| EU-10 | Corporates | 1,368,936 |
| EU-11 | Exposures in default | 94,468 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 356,902 |

## TABLE EU LR2 – LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

| (EUR 1,000) | | CRR leverage ratio exposures 31.12.2021 | CRR leverage ratio exposures 31.12.2020 |
|---|---|---|---|
| **On-balance sheet exposures (excluding derivatives and SFTs)** | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 11,915,335 | 11,971,869 |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | -38,854 | -40,729 |
| 7 | Taseeseen sisältyvät vastuut yhteensä (lukuun ottamatta johdannaisia ja arvopapereilla toteutettavia rahoitustoimia) | 11,876,481 | 11,931,140 |
| **Derivative exposures** | | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 61,679 | |
| 9 | Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions | 34,136 | |
| 13 | Total derivatives exposures | 95,815 | 105,124 |
| **Securities financing transaction (SFT) exposures** | | | |
| 18 | Total securities financing transaction exposures | | |
| **Other off-balance sheet exposures** | | | |
| 20 | (Adjustments for conversion to credit equivalent amounts) | 311,046 | 250,693 |
| 22 | Off-balance sheet exposures | 311,046 | 250,693 |
| **Excluded exposures** | | | |
| EU-22k | (Total exempted exposures) | | |
| **Capital and total exposure measure** | | | |
| 23 | Tier 1 capital | 1,096,604 | 1,069,578 |
| 24 | Total exposure measure | 12,283,341 | 12,286,958 |
| **Leverage ratio** | | | |
| 25 | Leverage ratio (%) | 8,93 % | 8,70 % |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 8,93 % | 8,70 % |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 8,93 % | 8,70 % |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3,00 % | 0,00 % |
| EU-26a | Additional own funds requirements to address the risk of excessive leverage (%) | 0,00 % | 0,00 % |
| EU-26b | of which: to be made up of CET1 capital | 0,00 % | 0,00 % |
| 27 | Leverage ratio buffer requirement (%) | 0,00 % | 0,00 % |
| EU-27a | Overall leverage ratio requirement (%) | 3,00 % | 0,00 % |

| Choice on transitional arrangements and relevant exposures | | | |
|---|---|---|---|
| **Disclosure of mean values** | | | |
| 30 | Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 12,283,341 | 12,286,958 |
| 30a | Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 12,283,341 | 12,286,958 |
| 31 | Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 8,93 % | 8,70 % |
| 31a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables) | 8,93 % | 8,70 % |

## 5.5 MREL-REQUIREMENT

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In April 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement will enter into force in full as of 1 January 2022 for the Savings Banks Amalgamation and with transitional provisions as of 1 January 2022 for Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. The Financial Stability Authority decided that the MREL requirement applied to the Savings Banks Amalgamation is 19.49 % of the total risk exposure amount or 5.91 % of the total exposures, whichever is higher. As of 1 January 2024, the MREL requirement in full for Sp Mortgage Bank Plc is 15.71 % of the total risk amount or 5.91 % of the total exposures, whichever is higher. In addition to the requirement calculated on the basis of overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

# 6. RISKS IN THE BANKING SEGMENT

## 6.1 CREDIT AND COUNTERPARTY RISKS

The credit risk is the most significant risk of the Banking segment. The management and monitoring of the credit risk plays a major role when ensuring the adequacy of capital compared to business risks and losses caused by risk occurrence.

Credit risk is defined as a possibility that a counterparty may not meet its contractual obligations. The largest source of credit risk is lending, but credit risk (counterparty risk) may also occur from other types of receivables, such as bonds, short-term debt securities and derivative instruments, as well as off-balance sheet commitments, such as unused credit limits, and guarantees.

The key customer groups for Banking segment are retail customers, corporate (small to medium) customers, forestry and agricultural customers. The major part of Banking segment funds is granted as loans to the customers.

### 6.1.1 MANAGEMENT AND MEASUREMENT OF CREDIT RISK

The Board of Directors of the Central Institution steers the Banking segment's credit risk management, the methods used, as well as their monitoring and reporting by approving the credit risk strategy, other guidelines and by setting the risk limits and other thresholds. The Central Institution's Risk Control function regularly monitors the development of credit risks in relation to limits as well as monitoring and control boundaries and monitors that the member credit institutions adhere to these principles.

The Risk Control unit of the Central Institution is responsible for the maintenance and updating of the approved credit risk strategy in cooperation with the Risk Committee set by the Central Institution's Board of Directors. The strategy is updated at least annually or whenever the Savings Banks Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially.

The credit risk strategy is supported by operational level instructions and guidelines issued by the Central Institution's Board of Directors. The most important instructions are credit underwriting policy, guidelines for the recognition and management of problem customers, collection guidelines, guidelines for collateral price follow up for real- and commercial estates and general credit guidelines that also covering mortgage credit banking.

The objective for the credit risk management is to restrict the effect of the risks arising from the exposure on the profitability and capital adequacy at the acceptable level. The Board of Directors of the Central Institution defines and confirms the risk limits and thresholds used for monitoring and controlling the lending portfolio by customer and industry group as well as the quality of portfolio at the Savings Banks Amalgamation level.

The business strategies and the credit-underwriting policies approved by the Boards of Directors of the Savings Banks Amalgamation's member institutions define the maximum exposure limits to the member credit institution specific risk concentrations and steer the lending by customer groups, industries and credit ratings. The member institutions mainly grant credits within their operational areas ensuring one of the essentials features for the lending of the Savings Banks: local and comprehensive knowledge of their customers.

In savings banks, the boards of directors of the banks have delegated credit authorisations to the bank's management/management team/credit committee and other designated employees. The credit decisions are made according to the credit-underwriting policy as approved by the Board of Directors. The main principle is decision making by two persons having lending authorization. The credit decisions are based on the customers' credit worthiness, ability to pay and other criteria, for example regarding acceptable collaterals, applied to credit decision making. The loans are mainly granted with acceptable collaterals. The collaterals are valued at fair value conservatively and their fair values are regularly monitored using both statistical information and bank's comprehensive knowledge about its operating area. The Board of Directors approves the instructions and guidelines for the valuation of the different collateral types and their collateral value applied in lending. The collateral values are conservatively defined maximum amount for each collateral type and the evaluation of the fair value of the collateral is always done on a case-by-case basis.

Credit risk is assessed and measured by monitoring payment delays, expected credit losses, forborne exposures, troubled exposures and non-performing receivables, for example. The customer-specific amounts of liabilities and collateral are monitored by the persons responsible for the customers based on continuous payment behaviour and monitoring the customers' activities. The Board of Directors receives regular reports on customer liabilities, payment delays, expected credit losses, forborne exposures, troubled exposures and non-performing receivables. The concentrations of the credit portfolio are monitored on a customer-specific and industry-specific basis and the reporting includes the amounts and development of risks at the customer and industry levels as well as by credit rating.

### 6.1.2 DOUBTFUL EXPOSURES

Doubtful exposures, delayed payments, forborne exposures and non-performing receivables are monitored regularly at both the member credit institution level and the amalgamation level. Doubtful exposures refer to liabilities for which the customer is classified as being in default either due to significant receivables being more than 90 days past due or due to it being deemed unlikely, for other reasons, that the customer will fulfil their obligations.

Delayed payment refers to the customer's receivables being overdue for 30-89 days and the customer being a potential problem customer. The Savings Banks Amalgamation's delayed receivables remained at a moderate level of 0.6 per cent (0.6) of the credit portfolio in 2021.

### NON-PERFORMING AND FOREBORNE LOANS (INCLUDING ADVANCES) AS PERCENTAGE SHARE OF GROSS CARRYING AMOUNT OF THE LOAN STOCK

| | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Non-performing loans and advances | 2,0 % | 2,2 % |
| Forbonrne loans and advances | 2,0 % | 2,2 % |

### TABLE EU CR2: CHANGES IN THE STOCK OF NON-PERFORMING LOANS AND ADVANCES

| 31.12.2021 (EUR 1,000) | | Gross carrying amount |
|---|---|---|
| 010 | Initial stock of non-performing loans and advances | 208,176 |
| 020 | Inflows to non-performing portfolios | 85,240 |
| 030 | Outflows from non-performing portfolios | -97,145 |
| 040 | Outflows due to write-offs | -5,185 |
| 050 | Outflow due to other situations | -91,960 |
| 060 | Final stock of non-performing loans and advances | 196,271 |

A loan that meets at least one of the following criteria is classified as a non-performing receivable: the loan is classified as in default, the loan is in ECL stage 3, the loan has a non-performing forborne exposure or at least 20 per cent of all of the loans of the counterparty have been classified as non-performing. The Amalgamation's non-performing receivables amounted to 2.0 (2.2) per cent of the credit portfolio at the end of the year. The number of non-performing receivables remained at a reasonable level in 2021, despite the introduction of the new broader definition of default. At the end of 2021, the number of instalment-free periods had returned to the level before the COVID-19 pandemic.

The definition of default used in the ECL for accounting purposes is consistent with the definition of default in Article 178 of the CRR. For accounting purposes, impaired assets are defined as contracts with customers classified as defaulted. A past due receivable is a receivable for which the capital, interest or fees have not been paid on the due date. When assessing the duration of the payment delay, situations in which the debtor changes as a result of corporate restructuring, as well as situations in which the delay in payment is due to changes in the payment terms permitted by the contract or legislation or a technical error in the system, shall be considered separately. In order for a customer to be classified as defaulted, the sum of the amounts due must be significant in terms of both the absolute and relative threshold for 90 consecutive days. The absolute threshold is met if the sum of the amounts past due exceeds EUR 100 for retail liabilities or EUR 500 for other exposures. The relative threshold is met if the sum of the amounts past due exceeds 1% of all of the customer's liabilities. In the accounting exposures that have been past due for more than 90 days are not treated as impaired if the sum of the amounts due is not significant in absolute and relative terms.

The internal definition of the forborne exposures corresponds to the regulatory definition. Receivables whose terms have been renegotiated due to the customer's deteriorated ability to pay are reported as forborne exposures. In certain circumstances, when a debtor experiences financial difficulty, the customer is granted a concession on the terms of the loan in the form of an instalment-free period or restructuring the liability. The aim is to ensure the customer's ability to pay and avoid potential credit losses. Granting forbearance is conditional on the customer's financial difficulties being short-term and temporary.

The Savings Banks Amalgamation does not allocate part of the ECL to general credit risk adjustments, but instead allocates ECL in full to specific credit risk adjustments. The Savings Banks Group's assessment of the expected credit loss is based on the calculation model which is complemented by the manual input of member credit institutions. Impairment and expected credit losses are described in the accounting policies section of the Savings Banks Groups' financial statements and in the note 16 impairments.

Information on the credit quality of the performing and non-performing exposures is shown in the EU CR1 and EU CQ3 tables, information on the credit quality of the forborne exposures are shown in the EU CQ1 table and information on the collateral obtained by taking possession and the execution processes is shown in the EU CQ7 table.

## TABLE EU CR1: PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS.

| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collateral and financial guarantees received | |
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures – accumulated impairment and provisions | | | Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | On non-performing exposure |
| | | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | | |
| 005 | Cash balances at central banks and other demand deposits | 1,046,268 | 1,046,268 | | | | | | | | | | | | | |
| 010 | Loans and advances | 9,554,118 | 8,946,407 | 607,712 | 196,271 | 42,278 | 152,739 | -5,159 | -2,946 | -2,213 | -36,926 | -232 | -36,691 | -5,362 | 9,211,707 | 150,793 |
| 020 | Central banks | 75,598 | 75,598 | | | | | | | | | | | | | |
| 030 | General governments | 16,693 | 16,693 | | | | | -11 | -11 | | | | | | 16 | |
| 040 | Credit institutions | 18,068 | 18,068 | | | | | -208 | -208 | | | | | | | |
| 050 | Other financial corporations | 11,504 | 11,479 | 25 | 3 | | 3 | -5 | -5 | | -1 | | -1 | | 8,585 | |
| 060 | Non-financial corporations | 2,068,171 | 2,004,584 | 63,586 | 44,178 | 7,477 | 36,675 | -1,931 | -1,359 | -572 | -10,399 | -62 | -10,337 | -3,482 | 2,017,146 | 31,426 |
| 070 | Of which SMEs | 2,041,345 | 1,978,682 | 62,663 | 44,013 | 7,312 | 36,675 | -1,917 | -1,346 | -570 | -10,398 | -61 | -10,337 | -3,482 | 1,993,027 | 31,261 |
| 080 | Households | 7,364,084 | 6,819,984 | 544,100 | 152,090 | 34,801 | 116,061 | -3,004 | -1,363 | -1,640 | -26,527 | -170 | -26,353 | -1,880 | 7,185,961 | 119,367 |
| 090 | Debt securities | 877,668 | 773,004 | 1,307 | 3,252 | | 3,252 | -1,464 | -1,435 | -30 | -3,194 | | -3,194 | | 179,981 | 58 |
| 100 | Central banks | | | | | | | | | | | | | | | |
| 110 | General governments | 203,263 | 202,508 | | | | | -125 | -125 | | | | | | 3,673 | |
| 120 | Credit institutions | 101,627 | 96,499 | | | | | -159 | -159 | | | | | | 26,888 | |
| 130 | Other financial corporations | 102,681 | 19,022 | | 556 | | 556 | -13 | -13 | | -498 | | -498 | | 9,203 | 58 |
| 140 | Non-financial corporations | 470,097 | 454,975 | 1,307 | 2,696 | | 2,696 | -1,168 | -1,138 | -30 | -2,696 | | -2,696 | | 140,217 | |
| 150 | Off-balance-sheet exposures | 853,435 | 837,842 | 15,592 | 2,819 | 222 | 1,469 | 733 | 665 | 68 | 169 | | 168 | | 444,531 | 371 |
| 160 | Central banks | | | | | | | | | | | | | | | |
| 170 | General governments | 1,348 | 1,348 | | | | | 1 | 1 | | | | | | 909 | |
| 180 | Credit institutions | 6,092 | 6,092 | | | | | 14 | 14 | | | | | | | |
| 190 | Other financial corporations | 4,495 | 2,519 | 1,976 | | | | 2 | 1 | 1 | | | | | 297 | |
| 200 | Non-financial corporations | 408,387 | 405,807 | 2,580 | 1,697 | | 839 | 489 | 467 | 22 | 77 | | 77 | | 290,969 | 63 |
| 210 | Households | 433,112 | 422,075 | 11,037 | 1,123 | 222 | 630 | 227 | 182 | 45 | 91 | | 91 | | 152,356 | 308 |
| 220 | Total | 12,331,489 | 11,603,521 | 624,611 | 202,342 | 42,500 | 157,460 | -5,891 | -3,717 | -2,174 | -39,951 | -232 | -39,717 | -5,362 | 9,836,220 | 151,222 |

## TABLE EU CQ3: CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

| | | a | b | c | d | e | f | g | h | i | j | k | l |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount | | | | | | | | | | | |
| | | Performing exposures | | | Non-performing exposures | | | | | | | | |
| 31.12.2021 (EUR 1,000) | | | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 year ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which defaulted |
| 005 | Cash balances at central banks and other demand deposits | 1,046,268 | 1,046,268 | | | | | | | | | | |
| 010 | Loans and advances | 9,554,118 | 9,519,767 | 34,351 | 196,271 | 126,236 | 13,413 | 13,629 | 13,355 | 22,664 | 4,624 | 2,349 | 121,307 |
| 020 | Central banks | 75,598 | 75,598 | | | | | | | | | | |
| 030 | General governments | 16,693 | 16,693 | | | | | | | | | | |
| 040 | Credit institutions | 18,068 | 18,068 | | | | | | | | | | |
| 050 | Other financial corporations | 11,504 | 11,504 | | 3 | | 3 | | | | | | 3 |
| 060 | Non-financial corporations | 2,068,171 | 2,062,912 | 5,259 | 44,178 | 23,533 | 1,331 | 3,507 | 4,032 | 9,956 | 1,091 | 727 | 27,897 |
| 070 | Of which SMEs | 2,041,345 | 2,036,086 | 5,259 | 44,013 | 23,368 | 1,331 | 3,507 | 4,032 | 9,956 | 1,091 | 727 | 27,897 |
| 080 | Households | 7,364,084 | 7,334,992 | 29,092 | 152,090 | 102,702 | 12,079 | 10,122 | 9,323 | 12,708 | 3,533 | 1,622 | 93,408 |
| 090 | Debt securities | 877,668 | 877,668 | | 3,252 | 3,252 | | | | | | | |
| 100 | Central banks | | | | | | | | | | | | |
| 110 | General governments | 203,263 | 203,263 | | | | | | | | | | |
| 120 | Credit institutions | 101,627 | 101,627 | | | | | | | | | | |
| 130 | Other financial corporations | 102,681 | 102,681 | | 556 | 556 | | | | | | | |
| 140 | Non-financial corporations | 470,097 | 470,097 | | 2,696 | 2,696 | | | | | | | |
| 150 | Off-balance-sheet exposures | 853,435 | | | 2,819 | | | | | | | | 2,384 |
| 160 | Central banks | | | | | | | | | | | | |
| 170 | General governments | 1,348 | | | | | | | | | | | |
| 180 | Credit institutions | 6,092 | | | | | | | | | | | |
| 190 | Other financial corporations | 4,495 | | | | | | | | | | | |
| 200 | Non-financial corporations | 408,387 | | | 1,697 | | | | | | | | 1,402 |
| 210 | Households | 433,112 | | | 1,123 | | | | | | | | 982 |
| 220 | Total | 12,331,489 | 11,443,703 | 34,351 | 202,342 | 129,488 | 13,413 | 13,629 | 13,355 | 22,664 | 4,624 | 2,349 | 123,692 |

## TABLE EU CQ1: CREDIT QUALITY OF FORBORNE EXPOSURES

| 31.12.2021 (EUR 1,000) | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Gross carrying amount/nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
| | | Performing forborne | Non-performing forborne | | | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| | | | | Of which defaulted | Of which impaired | | | | |
| 010 | Loans and advances | 125,513 | 68,846 | 18,423 | 26,406 | -555 | -6,240 | 183,327 | 61,020 |
| 060 | Non-financial corporations | 26,477 | 12,147 | 2,996 | 4,667 | -270 | -1,423 | 35,534 | 10,413 |
| 070 | Households | 99,036 | 56,700 | 15,428 | 21,739 | -285 | -4,817 | 147,793 | 50,607 |
| 090 | Loan commitments given | 141 | 27 | 17 | 22 | 2 | | 117 | 11 |
| 100 | Total | 125,655 | 68,874 | 18,441 | 26,427 | -553 | -6,239 | 183,444 | 61,030 |

## TABLE EU CQ7: COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

| 31.12.2021 (EUR 1,000) | | Collateral obtained by taking possession | |
|---|---|---|---|
| | | Value at initial recognition | Accumulated negative changes |
| 020 | Other than PP&E | 630 | -30 |
| 030 | Residential immovable property | 256 | -15 |
| 040 | Commercial Immovable property | 374 | -15 |
| 080 | Total | 630 | -30 |

## 6.1.3 CREDIT PORTFOLIO

The loan portfolio of the Banking segment was EUR 9,649 (9,330) million at the end of 2021 and increased with 3,4 % compared to previous year-end. The lending to retail customers was 70.3 (72.2) %, to corporate customers 21.8 (19.8) % and to agricultural and other customers 7.9 (8.1) %.

### BREAKDOWN OF LOANS BY CUSTOMER GROUPS

| (EUR 1,000) Customer group | 31.12.2021 | 31.12.2020 | change % |
|---|---|---|---|
| Retail customers | 6,782,012 | 6,733,185 | 0,7 % |
| SME corporate customers | 2,103,859 | 1,843,362 | 14,1 % |
| Agricultural and other customers | 763,583 | 753,845 | 1,3 % |
| Total | 9,649,454 | 9,330,392 | 3,4 % |

The mortgage lending was EUR 5,891.7 (5,837.8) million at the end of 2021 with growth of 0.9 (2.9) % during the year.

The lending to the retail customers is mainly granted against residential collateral and, where necessary other collateral types are used.

The lending to the retail customers is operated via the balance sheets of the Savings Banks excluding the Visa credit cards operated by Central Bank of Savings Banks.

The credit portfolio has mainly well-guaranteed contracts and the large part of portfolio has excess guarantees. The lending to the retail customers is mainly granted against residential collateral and, where necessary other collateral types are used.

Maturity of the exposures has been disclosed in the table EU CR1-A.

### TABLE EU CR1-A: MATURITY OF EXPOSURES

| | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Net exposure value | | | | | |
| 31.12.2021 (EUR 1,000) | | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 1 | Loans and advances | 78,763 | 292,003 | 777,704 | 8,456,206 | 103,629 | 9,708,304 |
| 2 | Debt securities | | 112,002 | 495,835 | 184,765 | 83,659 | 876,261 |
| 3 | Total | 78,763 | 404,005 | 1,273,539 | 8,640,971 | 187,288 | 10,584,566 |

## RETAIL PORTFOLIO

The credit worthiness of a retail customer is based on the local Savings Banks' comprehensive customer knowledge and the assessment of the customers' ability to pay. The credit decision is mainly based on the customers' sufficient repayment ability. The customers' ability to pay, the credit scoring of the application together with the loan-to-value ratio forms the basis for the credit decision and the risk-based pricing.

Following the adoption of IFRS 9 Financial Instruments, liabilities are categorised into nine risk categories. The table below shows the exposures of retail clients by risk classes divided into the stages 1, 2 and 3.

## RETAIL EXPOSURES BY RATING DISTRIBUTION

| (EUR 1,000) | 31.12.2021 | | | | % of portfolio | |
|---|---|---|---|---|---|---|
| Description | Stage 1 | Stage 2 | Stage 3 | Total | 31.12.2021 | 31.12.2020 |
| 1 Excellent | 815,070 | 1,931 | | 817,000 | 12,0 % | 8,20 % |
| 2 Good | 1,659,356 | 2,754 | | 1,662,110 | 24,5 % | 22,30 % |
| 3 Good | 2,043,944 | 17,076 | | 2,061,020 | 30,4 % | 30,60 % |
| 4 Average | 756,103 | 25,367 | | 781,470 | 11,5 % | 23,30 % |
| 5 Average | 324,756 | 23,677 | | 348,433 | 5,1 % | 9,90 % |
| 6 Weak | 244,836 | 62,113 | 34 | 306,983 | 4,5 % | 2,50 % |
| 7 Past due but not impaired | 117,470 | 65,713 | | 183,183 | 2,7 % | 2,00 % |
| 8 Past due but not impaired | 71,713 | 117,960 | | 189,673 | 2,8 % | 0,30 % |
| 9 Past due but not impaired | 126,813 | 218,325 | 144 | 345,282 | 5,1 % | |
| D Non-performing | | | 86,857 | 86,857 | 1,3 % | 0,90 % |
| Total | 6,160,061 | 534,915 | 87,035 | 6,782,012 | 100,00 % | 100,00 % |

Credit ratings of the retail customers are mainly good. The growth in private customers' credit portfolio is in the better credit ratings (1-4). Correspondingly, compared to the reference period, the amount of exposures in lower credit ratings (5-8) have decreased. The increase in D-rated exposures is caused by a change in the calculation.

## CORPORATE PORTFOLIO

In corporate lending the Savings Banks targets at the micro and small businesses, self-employed entrepreneurs, forestry and agricultural customers that are mainly located within the operating area of Savings Banks.

The credit risk management for these corporate, forestry, and agricultural customers are based on the customer adviser's customer analysis and internal credit rating.

For corporate customers the credit decisions and risk-based pricing of the credit are based on the analysis of customers' financial statements, customers' financial position, ability to pay, competitive positioning, credit scoring of the application and the loan-to-value ratio of the application. Additionally, the impact of intended investment on the customers' financial position is evaluated.

Self-employed entrepreneurs and sole traders are mainly classified as part of the retail exposures. Exception to this reclassification are those customer relationships where specific competences are required, in these cases the customer is included in the corporate customer group. Corporate customers include limited liability companies, joint-stock companies and limited partnerships, associations and public entities.

Following the adoption of IFRS 9 Financial Instruments, liabilities are categorised into nine risk categories. The table below shows the exposures of corporate clients by risk classes divided into the stages 1, 2 and 3.

## CORPORATE EXPOSURES BY RATING DISTRIBUTION

| (EUR 1,000) | 31.12.2021 | | | | % of portfolio | |
|---|---|---|---|---|---|---|
| Description | Stage 1 | Stage 2 | Stage 3 | Total | 31.12.2021 | 31.12.2020 |
| 1 Excellent | 108,660 | 256 | | 108,917 | 3,80 % | 19,80 % |
| 2 Good | 135,683 | 1,734 | | 137,416 | 4,80 % | 25,30 % |
| 3 Good | 269,582 | 6,989 | | 276,571 | 9,60 % | 13,30 % |
| 4 Average | 818,339 | 11,564 | | 829,904 | 28,90 % | 22,80 % |
| 5 Average | 582,614 | 5,262 | | 587,877 | 20,50 % | 11,30 % |
| 6 Weak | 442,445 | 18,380 | 118 | 460,943 | 16,10 % | 3,90 % |
| 7 Past due but not impaired | 273,852 | 32,053 | | 305,905 | 10,70 % | 1,40 % |
| 8 Past due but not impaired | 50,837 | 29,081 | | 79,918 | 2,80 % | 0,30 % |
| 9 Past due but not impaired | 7,831 | 8,942 | | 16,773 | 0,60 % | |
| D Non-performing | | | 63,638 | 63,638 | 2,20 % | 2,00 % |
| Total | 2,689,844 | 114,261 | 63,756 | 2,867,861 | 100,00 % | 100,00 % |

Number of housing cooperatives has significantly increased during the year 2021. This has an influence on both better rating distribution of corporate exposures and low increase in expected credit loss compared to portfolio increase. The growth in the corporate credit portfolio is in the lower risk categories (1-4). Correspondingly, exposures in the higher risk categories (5-8) have decreased. The increase in D-rated exposures is caused by a change in the calculation.

## CONCENTRATION RISKS

The credit risk concentrations referred to in the credit risk strategy may arise when the loan portfolio contains large amounts of loans and other exposures to the following:

- Single counterparty

- Groups consisting of single counterparties and their interest groups
- Certain industries
- Against certain collateral
- With identical maturity
- Same product/instrument

The total amount of credit granted by the Savings Banks Amalgamation or an individual member credit institution to a single customer and/or customer group must not exceed the maximum amounts set in the Credit Institutions Act or other acts, or the regulations given by the Financial Supervisory Authority or other regulatory authority. The concentration risks caused by an individual counterparty are restricted with limits and guidelines related to the maximum customer exposure, both on the Savings Banks Amalgamation and the member credit institution levels. The Savings Banks Amalgamation does not have any large exposures, which would be exceed the limit of 10 % of group's own funds set by EU capital adequacy regulation.

The largest counterparties of the Savings Banks Amalgamation are various government papers and derivate counterparties due to maintain the liquidity reserves. The 20 largest exposures are together 1.3 (1.7) % of the total lending portfolio. The largest industries in the corporate portfolio are real estate and construction, which are 13.8 (12.3) % of the total loan portfolio.

## TABLE EU CQ5: CREDIT QUALITY OF LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

| | | a | c | e | f |
|---|---|---|---|---|---|
| | | Gross carrying amount | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| 31.12.2021 (EUR 1,000) | | | Of which defaulted | | |
| 010 | Agriculture, forestry and fishing | 128,399 | 1,173 | -1,174 | |
| 030 | Manufacturing | 110,398 | 2,362 | -1,287 | |
| 060 | Construction | 182,468 | 3,992 | -1,295 | |
| 070 | Wholesale and retail trade | 135,789 | 3,664 | -1,459 | |
| 080 | Transport and storage | 49,592 | 913 | -459 | |
| 090 | Accommodation and food service activities | 66,717 | 2,827 | -1,482 | |
| 120 | Real estate activities | 1,164,427 | 4,693 | -3,244 | |
| 130 | Professional, scientific and technical activities | 74,782 | 773 | -361 | |
| | Other services | 199,776 | 7,500 | -1,569 | |
| 200 | Total | 2,112,349 | 27,897 | -12,330 | 0 |

Other services include also non-material industries.

Certain concentration risks arise from the local and regional operative model of the Savings Banks. At the Savings Banks Amalgamation level single counterparty concentration risks are also managed with risk limits and thresholds set, monitored and reported for certain industries.

### 6.1.4 INFORMATION ON THE CREDIT RISK CAPITAL REQUIREMENT CALCULATION

The credit portfolio has mainly well-guaranteed contracts and the large part of portfolio has excess guarantees. The lending to the retail customers is mainly granted against residential collateral and, where necessary, other collateral types are used.

The largest exposure classes of the Savings Banks Amalgamation are central governments or central banks (15%) and retail and corporates which both have approximately 13% share of the risk weighted assets for credit risk. In the capital adequacy calculation in addition to direct exposures also exposures which have government guarantees can be treated as exposures from central government. The same principle also applies to guarantees from Finnish municipalities and all other guarantees which reduce the risk weight of the exposure in the capital adequacy calculation. The major part of the exposures secured by mortgages on immovable property have residential properties as collateral. Exposures secured by mortgages also include exposures which have commercial real estate as collateral. In addition to immovable property, exposure can have financial collateral such as deposits or securities.

Exposure that does not have collateral which would fulfil the CRR requirements are allocated to retail or corporate exposure classes. In addition, exposure with a guarantee from an externally rated corporate are allocated to the corporate exposure class. The Savings Banks Amalgamation applies external credit ratings (Standard & Poor's) only to define the risk weights of corporate guarantees. Even though retail or corporate exposure does not have a guarantee or collateral that would fulfil the CRR requirements, with the exception mentioned hereinabove, this exposure typically has other guarantees or collateral such as other immovable property, personal guarantee or business mortgage. The average risk weight of the Savings Banks Amalgamation's exposures was 41% at the end 2021.

Table EU CR3 provides general information on the credit risk mitigation (CRM) techniques, EU CR4 information of the CRM techniques effect on the credit risk capital adequacy calculation and table EU CR5 information on the risk weights by exposure class.

### TABLE EU CR3 – CRM TECHNIQUES OVERVIEW: DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

| 31.12.2021 (EUR 1,000) | | Unsecured carrying amount | Secured carrying amount | Of which secured by collateral | Of which secured by financial guarantees | Of which secured by credit derivatives |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| 1 | Loans and advances | 345,804 | 9,362,500 | 9,007,986 | 354,514 | |
| 2 | Debt securities | 696,222 | 180,039 | 66,119 | 113,920 | |
| 3 | Total | 1,042,026 | 9,542,539 | 9,074,105 | 468,435 | |
| 4 | Of which non-performing exposures | 8,552 | 150,851 | 147,476 | 3,375 | |
| EU-5 | Of which defaulted | 4,520 | 88,951 | 87,008 | 1,943 | |

## TABLE EU CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

| | 31.12.2021 (EUR 1,000) | Exposures before CCF and before CRM | | Exposures post CCF and post CRM | | RWAs and RWAs density | |
|---|---|---|---|---|---|---|---|
| | | On-balance-sheet exposures | Off-balance-sheet exposures | On-balance-sheet exposures | Off-balance-sheet exposures | RWAs | RWAs density (%) |
| | Exposure classes | a | b | c | d | e | f |
| 1 | Central governments or central banks | 1,291,762 | | 1,900,982 | 16,513 | | 0,00 % |
| 2 | Regional government or local authorities | 20,300 | 1,497 | 34,096 | 851 | 747 | 2,14 % |
| 3 | Public sector entities | 1,496 | | 1,496 | | 299 | 20,00 % |
| 4 | Multilateral development banks | | | 21,811 | 563 | | 0,00 % |
| 5 | International organisations | | | | | | - |
| 6 | Institutions | 151,079 | 3,269 | 152,992 | 1,645 | 34,362 | 22,22 % |
| 7 | Corporates | 1,368,936 | 268,072 | 1,364,710 | 99,483 | 1,252,374 | 85,53 % |
| 8 | Retail | 1,854,175 | 432,678 | 1,151,317 | 116,453 | 872,574 | 68,83 % |
| 9 | Secured by mortgages on immovable property | 6,751,729 | 147,903 | 6,751,729 | 68,223 | 2,328,657 | 34,14 % |
| 10 | Exposures in default | 94,468 | 1,946 | 89,835 | 1,265 | 97,836 | 107,39 % |
| 11 | Exposures associated with particularly high risk | | | | | | - |
| 12 | Covered bonds | 24,489 | | 24,489 | | 2,449 | 10,00 % |
| 13 | Institutions and corporates with a short-term credit assessment | | | | | | - |
| 14 | Collective investment undertakings | 108,099 | | 108,099 | | 132,630 | 122,69 % |
| 15 | Equity | 83,823 | | 83,823 | | 120,799 | 144,11 % |
| 16 | Other items | 126,126 | | 126,126 | | 114,202 | 90,55 % |
| 17 | Total | 11,876,481 | 855,366 | 11,811,505 | 304,996 | 4,956,929 | 40,91 % |

## TABLE EU CR5 – STANDARDISED APPROACH

| | 31.12.2021 (EUR 1,000) | Risk weight | | | | | | | | | | Total | Of which unrated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 0 % | 10 % | 20 % | 35 % | 50 % | 75 % | 100 % | 150 % | 250 % | 1250 % | | |
| | Exposure classes | a | d | e | f | g | i | j | k | l | n | p | q |
| 1 | Central governments or central banks | 1,917,495 | | | | | | | | | | 1,917,495 | 1,917,495 |
| 2 | Regional government or local authorities | 31,213 | | 3,734 | | | | | | | | 34,947 | 34,947 |
| 3 | Public sector entities | | | 1,496 | | | | | | | | 1,496 | 1,496 |
| 4 | Multilateral development banks | 22,374 | | | | | | | | | | 22,374 | 22,374 |
| 5 | International organisations | | | | | | | | | | | | |
| 6 | Institutions | | | 150,344 | | | | 4,293 | | | | 154,637 | 154,637 |
| 7 | Corporates | | | | | 104,890 | | 1,359,303 | | | | 1,464,193 | 1,359,303 |
| 8 | Retail exposures | | | | | | 1,267,770 | | | | | 1,267,770 | 1,267,770 |
| 9 | Exposures secured by mortgages on immovable property | | | | 6,695,194 | 124,757 | | | | | | 6,819,951 | 6,819,951 |
| 10 | Exposures in default | | | | | | | 77,630 | 13,471 | | | 91,101 | 91,101 |
| 11 | Exposures associated with particularly high risk | | | | | | | | | | | | |
| 12 | Covered bonds | | 24,489 | | | | | | | | | 24,489 | 24,489 |
| 13 | Exposures to institutions and corporates with a short-term credit assessment | | | | | | | | | | | | |
| 14 | Units or shares in collective investment undertakings | 1,751 | | 15,037 | | | | 87,980 | | | 3,331 | 108,099 | 108,099 |
| 15 | Equity exposures | | | | | | | 59,172 | | 24,651 | | 83,823 | 83,823 |
| 16 | Other items | 11,266 | | 823 | | | | 114,037 | | | | 126,126 | 126,126 |
| 17 | Total | 1,984,099 | 24,489 | 171,433 | 6,695,194 | 229,647 | 1,267,770 | 1,702,415 | 13,471 | 24,651 | 3,331 | 12,116,502 | 12,011,612 |

### 6.1.5 COUNTERPARTY CREDIT RISK

Counterparty credit risk or 'CCR' means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The internal capital requirement and limits are based on the counterparty credit risk exposures from the regulatory capital requirements. Counterparty credit risk is controlled via limits on large exposures.

Counterparty credit risk from credit institution counterparties is mitigated through the exchange of collateral based on ISDA Credit Support Annex agreements (CSA). Both received and posted collateral is always cash. Collateral reconciliation between counterparties is done daily.

The Amalgamation has no contracts where a downgrade of the Central Bank of Savings Banks' credit rating would result in increased collateral requirements.

The capital requirement for counterparty credit risk was 6.7 million euros (8.9 million euros) at the end of 2021. The amalgamation started using the standard approach (SA-CCR) in calculating the CCR capital requirement in June 2021, and the comparison figures were calculated using the Original Exposure Method.

The following tables present more detailed information on the CCR calculation (EU CCR1, EU CCR2, EU CCR3, EU CCR5).

## TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

| 31.12.2021 (EUR 1,000) | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Replacement cost (RC) | Potential future exposure (PFE) | EEPE | Alpha used for computing regulatory exposure value | Exposure value pre-CRM | Exposure value post-CRM | Exposure value | RWEA |
| 1 | SA-CCR (for derivatives) | 36,066 | 24,296 | | 1,4 | 87,586 | 84,506 | 84,506 | 16,901 |
| 6 | Total | | | | | 87,586 | 84,506 | 84,506 | 16,901 |

## TABLE EEU CCR2 – TRANSACTIONS SUBJECT TO OWN FUNDS REQUIREMENTS FOR CVA RISK

| 31.12.2021 (EUR 1,000) | | a | b |
|---|---|---|---|
| | | Exposure value | RWEA |
| 4 | Transactions subject to the Standardised method | 84,506 | 83,472 |
| 5 | Total transactions subject to own funds requirements for CVA risk | 84,506 | 83,472 |

## TABLE EU CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY EXPOSURE CLASS AND RISK WEIGHTS

| 31.12.2021 (EUR 1,000) | | e | l |
|---|---|---|---|
| Exposure classes | | 20 % | Total exposure value |
| 6 | Institutions | 84,506 | 84,506 |
| 11 | Total exposure value | 84,506 | 84,506 |

## TABLE EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES

| 31.12.2021 (EUR 1,000) | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | Collateral used in derivative transactions | | | | Collateral used in SFTs | | | |
| | | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| Collateral type | | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 6 | Cash – domestic currency | | 2,200 | | 10,190 | | | | |
| 11 | Total | | 2,200 | | 10,190 | | | | |

## 6.2 MARKET RISK

Market risks in banking activities arise from the banking books of the member credit institutions consisting of lending and borrowing, wholesale market funding and investment and liquidity portfolios.

In general, market risk refers to the impact of a change in market prices on the market value of financial assets and liabilities. The most important market risk in banking activities is the interest rate risk in the banking book, which is measured through both net present value and net interest income. The principles of managing interest rate risk in the banking book are described below in the section "Interest rate risk in the banking book."

The member credit institutions of the Savings Banks Amalgamation do not, as a rule, engage in trading for own or customers' account. The use of derivatives is limited to hedging purposes. A member credit institution may have a so-called small trading book as defined in article 94 of the EU capital adequacy regulation. Savings Banks does not have a small trading book.

## INVESTMENT AND LIQUIDITY PORTFOLIOS

The market risk in the investment and liquidity portfolios consists of the investments' price, interest rate and currency risks. Changes in stock prices, interest rates and exchange rates affect the value and yield of the investment portfolio. The market risk in the investment portfolio is measured and followed by investment class, counterparty and sector. The investment portfolio's development and largest counterparties are reported on a regular basis to the Board of Directors and the Risk Committee.

The risks in the investment and liquidity portfolios have managed by diversifying the investments by investment class, counterparty, sector and geography.

During 2021, investments in fixed income, hybrid and equity funds were replaced by direct fixed income and equity investments. The table below shows the diversity of investment portfolio by asset classes.

| | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|
| **Investment portfolio (EUR 1,000)** | **Fair value** | **Share (%)** | **Fair value** | **Share (%)** |
| Debt securities | 783,481 | 77,0 % | 704,293 | 57,8 % |
| Other securities | | | 5,359 | 0,4 % |
| Shares | 83,961 | 8,3 % | 42,668 | 3,5 % |
| Share funds | | | 50,251 | 4,1 % |
| Interest funds | | | 216,251 | 17,8 % |
| Structured investments | 3,394 | 0,3 % | 6,156 | 0,5 % |
| Other investments | 83,659 | 8,2 % | 125,575 | 10,3 % |
| Properties | 62,459 | 6,1 % | 67,538 | 5,5 % |
| Total | 1,016,954 | 100 % | 1,218,091 | 100 % |

Table below shows investment portfolio risk sensitivity to different risk factors and their effect on income and own funds.

| Risk factor | Chg % | 31.12.2021 | 31.12.2020 | Income * | Own funds* |
|---|---|---|---|---|---|
| Interest rates | + 1% | -24,710 | -31,692 | -92 | -24,485 |
| Share prices | -10 % | -8,396 | -9,292 | -8,396 | -8,396 |
| Property values | -10 % | -6,246 | -6,754 | | |
| Structured investment value | -10 % | -339 | -616 | -339 | -339 |
| Other investment value | -10 % | -8,366 | -12,558 | -8,366 | -8,366 |

* Risk factor effect on income and own funds.

Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. Unlisted equity holdings consist mainly (81 %) of intra group holdings that are not part of the Savings Banks Amalgamation.

| Equity portfolio (EUR 1,000) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Listed shares | 51,080 | 9,143 |
| Unlisted shares | 32,881 | 33,525 |
| Total | 83,961 | 42,668 |

Currency risk refers to the impact of changes in foreign exchange rates on the bank's result or own funds. Minor foreign exchange risk may arise from the notes and coins in currencies, fund investments in the investment portfolio and the payments transactions handled by Central Bank of Savings Banks. Open currency risk is not allowed in deposits from the customers or in the liquidity buffer of the member credit institutions. The currency position of a member credit institution is monitored with capital adequacy calculation method (capital need is calculated if the total net currency position is more than 2 % of credit institutions total own funds).

Commodity risk refers to the impact of changes in commodity prices. The business, including investment activities, of the member credit institutions of the Savings Banks Amalgamation does not involve commodity risk taking.

## MARKET RISK MANAGEMENT

Limits and thresholds have been set for market risk applicable to both individual member banks and the amalgamation.

The member credit institution and Amalgamation level capital adequacy management process (ICAAP), which allocates capital to cover market risks of the banking book in normal and stress scenarios, is also an important tool in measuring and monitoring market risks included in the banking book.

## 6.3 INTEREST RATE RISK IN THE BANKING BOOK

The business of the Savings Banks Amalgamation is retail banking, which includes interest rate risk as an integral part, meaning the adverse impact of changes in interest rates on the market value of the banking balance sheet and off-balance-sheet items (economic value of equity risk or EVE) or on the net interest income (net interest income risk or NII). Interest rate risks arise from the banking books of member credit institutions, consisting of lending and deposits, wholesale market funding and investment portfolio. The trading books of the member credit institutions are so-called small trading books, defined in the capital requirements regulation, with insignificant interest rate risk positions.

The purpose of the management of interest rate risks is to stabilize the net interest income and present value at a level where the Savings Banks Amalgamation's business is profitable and to limit their fluctuations without threatening the capital adequacy even by severe changes in the interest rate environment. The Savings Banks Amalgamation's appetite for interest rate risk is described by the interest rate limits set by the Board of Directors of the Central Institution. It is possible to manage interest rate risk by modifying the product and balance sheet structure, by planning the interest rate structure and maturities for investments and issued funding and by hedging with interest rate derivatives.

Member Savings Banks of the Savings Banks Amalgamation use interest rate derivatives such as options and swaps actively in hedging their balance sheets. Interest rate risk of derivatives is monitored separately both in present value and income risk calculations. Interest rate risk position is monitored on a monthly basis.

EVE risk is monitored using the six standard supervisory stress scenarios. In the EVE risk calculation, the longest modelled maturity used for non-maturing core deposits is 7.5 years and the average modelled maturity is about 2 years. The average modelled maturity for all non-maturing deposits is about 2 years.

NII risk is monitored using the 1 %-point parallel shift scenarios' impact on the expected NII over the coming year. The calculation uses a 0 per cent floor for the loan stock's reference rates based on their contractual terms. A 0 per cent floor is also applied to retail deposits. The balance sheet is kept static by replacing maturing items with similar contracts with the same reference rates and fixed rate tenors. The calculation uses a modelled maturity for non-maturing deposits.

The following table presents the interest rate risk as at the end of 2021 and 2020. The largest change in the economic value of equity at the end of 2021 came from the short rates down shock. The risk in the scenario is about -30 million euros or -2.7% relative to tier 1 capital. The poorest result in the changes to the net interest income came from the 1 %-point parallel shift down scenario, where net interest grew only by about 629,000 euros compared to the base scenario. The Amalgamation's low interest rate risk is a consequence of negative market rates and interest rate floors on loans and deposits.

## TABLE EU IRRBB1 - INTEREST RATE RISKS OF NON-TRADING BOOK ACTIVITIES

| (EUR 1,000) | | a | b | c | d |
|---|---|---|---|---|---|
| | | Changes of the economic value of equity | | Changes of the net interest income | |
| Supervisory shock scenarios | | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| 1 | Parallel up | 48,247 | 72,455 | 21,312 | 14,924 |
| 2 | Parallel down | -21,893 | -6,691 | 629 | 1,453 |
| 3 | Steepener | 3,200 | 11,355 | | |
| 4 | Flattener | -18,889 | -17,397 | | |
| 5 | Short rates up | -4,559 | 2,531 | | |
| 6 | Short rates down | -30,061 | -6,607 | | |

## 6.4 LIQUIDITY RISK

Liquidity risk is the risk that the Amalgamation fails to meet expected or unexpected obligations as they come due, without incurring unacceptable losses.

The amalgamation's business is deposit banking, which includes as an integral part maturity transformation and its associated funding risk.

The board of directors of the Amalgamation's Central Institution has the overall responsibility for the Amalgamation's liquidity risk strategy, risk appetite and procedures for the management of liquidity risk which are the identification, measuring, limiting, monitoring and controlling of liquidity risk. The Central Institution approves the Amalgamation's liquidity risk strategy including the funding plan and the contingency funding plan.

Treasury monitors the structural funding risk on a monthly basis. The risk is measured using the net stable funding risk (NSFR) measure, loan-to-deposit ratio and 10 year horizon gap analysis, which measures the funding mix's suitability for funding the Amalgamation's long-term assets.

The Amalgamation's Asset and Liability Committee (ALCO) plans and prepares for the Central Institution's board of directors the Amalgamation's liquidity risk strategy and monitors its implementation on the Amalgamation level.

The Amalgamation's Risk Management unit is responsible for the independent monitoring of the limits set out in the Amalgamation's liquidity risk strategy and reporting to the Central Institution's management board, ALCO, Risk Committee and board of directors.

Liquidity risk is managed by ensuring that the Amalgamation's funding is obtained from stable sources such as retail deposits as well as wholesale markets funding of sufficient tenor. In addition, the readiness to access the contingency sources of funding is maintained. The liquidity position is reported regularly to the Central Institution's board of directors, Risk Committee and ALCO. The Central Institution's board of directors declares that the Amalgamation's liquidity risk management arrangements and systems are adequate with regard to the Amalgamation's profile and strategy.

The Amalgamation's unsecured wholesale funding is obtained by the Central Bank of Savings Banks, which issues long-term bonds and short-term CDs and accepts money market deposits mainly from domestic and foreign institutional investor clients. Savings banks may issue retail bonds such as retail debentures. Sp Mortgage Bank issues covered bonds, which are a natural source of funding for the Amalgamation given the focus on residential lending.

The Central Bank of Savings Banks provides payment transmission and settlement services for the Amalgamation. Each member has its own liquidity management function except Sp Mortgage Bank, which has outsourced liquidity management to The Central Bank of Savings Banks. The Central Bank of Savings Banks' Treasury is responsible for the operational execution of the liquidity risk strategy on the Amalgamation level. The treasury is also responsible for the upkeep and testing of the contingency funding plan and for the operational management of the liquidity buffer. A liquidity agreement has been signed between The Central Bank of Savings Banks and other member banks ensuring that there are no legal or operational impediments to Treasury's use of the Amalgamation's liquid assets. Treasury annually produces the funding plan for the Central Institution's board of directors, and Asset and Liability Management prepares the liquidity risk strategy and the contingency funding plan.

The basis for liquidity risk measurement and monitoring is the member bank position data in the Central Bank's treasury system based on data from the loan and deposit systems. The treasury system also holds the necessary data on investment portfolio and derivatives. The treasury system is also used for maintaining the portfolio, organisation and limit structures necessary for the measurement, monitoring, reporting and control of market risk, interest rate risk and liquidity risk.

Stress testing is employed to ensure that the Amalgamation has a liquidity buffer at all times which is large enough relative to net outflows. Stress testing is used to prepare for idiosyncratic and market-wide stress as well as their combination. Stress testing guides both wholesale funding's maturity profile and the size of the liquidity buffer.

The Amalgamation's contingency funding plan describes the sources of contingency funding and the estimated amount of funding available from them. The contingency funding plan also includes the indicators used to anticipate a liquidity crisis; the escalation process in case a crisis is foreseen, and the communication plan.

The table below presents the maturity profiles of the Savings Banks Amalgamation's assets and liabilities. Demand deposits are assumed to mature overnight.

| Assets 2021 (EUR 1,000) | Total | < 3 mon | 3-12 mon | 1-5 years | > 5 years |
|---|---|---|---|---|---|
| Cash and central bank reserves | 1,017,904 | 1,017,904 | | | |
| Central bank eligible debt securities | 525,889 | 63,645 | 15,732 | 300,366 | 146,146 |
| Receivables from financial institutions | 129,550 | 129,550 | | | |
| Receivables from customers and public entities | 9,603,198 | 131,863 | 936,955 | 2,947,624 | 5,586,757 |
| Other debt securities | 261,074 | 5,221 | 26,891 | 190,566 | 38,396 |
| Equity and shares | 167,521 | | | | 167,521 |
| Other assets | 228,286 | 323 | 88,421 | 15,666 | 123,876 |
| Assets total | 11,933,422 | 1,348,506 | 1,067,997 | 3,454,223 | 6,062,696 |

| Liabilities 2021 (EUR 1,000) | Total | < 3 mon | 3-12 mon | 1-5 years | > 5 years |
|---|---|---|---|---|---|
| Due to credit institutions and central banks | 423,705 | 139,505 | 149,359 | 127,338 | 7,503 |
| Amounts owed to customers and public entities | 7,687,766 | 7,223,148 | 337,043 | 127,547 | 28 |
| Debt securities in issue | 2,500,165 | 115,724 | 688,208 | 1,007,146 | 689,087 |
| Subordinated liabilities | 13,343 | 3,634 | 7,651 | 2,058 | |
| Other liabilities | 165,997 | 150,486 | 43 | 646 | 14,822 |
| Liabilities total | 10,790,976 | 7,632,497 | 1,182,304 | 1,264,736 | 711,439 |
| | | | | | |
| Derivatives, net cash flows | 26,607 | 6,616 | ,13,839 | 17,466 | -11,314 |

Derivatives settled on a gross basis have no relevant liquidity effect due to their small position.

| Assets 2020 (EUR 1,000) | Total | < 3 mon | 3-12 mon | 1-5 years | > 5 years |
|---|---|---|---|---|---|
| Cash and central bank reserves | 1,183,519 | 1,183,519 | | | |
| Central bank eligible debt securities | 448,424 | 6,227 | 7,233 | 277,607 | 157,357 |
| Receivables from financial institutions | 109,060 | 109,060 | | | |
| Receivables from customers and public entities | 9,284,077 | 138,815 | 942,196 | 2,823,388 | 5,379,678 |
| Other debt securities | 265,645 | 10,163 | 13,428 | 199,306 | 42,748 |
| Equity and shares | 432,369 | | | | 432,369 |
| Other assets | 375,377 | 854 | 177,892 | 22,995 | 173,636 |
| Assets total | 12,098,470 | 1,448,638 | 1,140,749 | 3,323,296 | 6,185,788 |

| Liabilities 2020 (EUR 1,000) | Total | < 3 mon | 3-12 mon | 1-5 years | > 5 years |
|---|---|---|---|---|---|
| Due to credit institutions and central banks | 389,879 | 139,036 | 165,773 | 69,110 | 15,960 |
| Amounts owed to customers and public entities | 7,784,754 | 7,319,338 | 400,889 | 64,409 | 118 |
| Debt securities in issue | 2,626,631 | 319,477 | 641,453 | 955,124 | 710,577 |
| Subordinated liabilities | 29,136 | 3,390 | 13,343 | 12,403 | |
| Other liabilities | 151,172 | 150,693 | 210 | 269 | |
| Liabilities total | 10,981,572 | 7,931,934 | 1,221,668 | 1,101,315 | 726,654 |
| | | | | | |
| Derivatives, net cash flows | 83,791 | 7,147 | 14,199 | 51,919 | 10,528 |

Derivatives settled on a gross basis have no relevant liquidity effect due to their small position.

The central liquidity risk measurement and monitoring methods on the Amalgamation level are the cash position, the size of the liquidity buffer, which is controlled with stress testing, the liquidity coverage ratio (LCR) and the net stable funding requirement (NSFR).

The long-term credit rating that Standard & Poor's Rating Services has granted to The Central Bank of Savings Banks Finland remained in 2021 at an 'A-', negative outlook. The short-term credit rating remained at 'A-2'.

The FSA has granted the Central Institution the authority to grant individual member banks a waiver from the liquidity requirements as set out in EU Capital Requirement Regulation (EU) 575/2013 part six including LCR and NSFR.

The main drivers of the Amalgamation's LCR are the volatility of ECB exposures and maturing wholesale funding issued by The Central Bank of Savings Banks and Sp Mortgage Bank. The largest changes in LCR during the reference period were due to the new covered bond issue in September by Sp Mortgage Bank and the November redemption of another covered bond issued by Sp Mortgage Bank in 2016.

The most important source of funding for the Amalgamation is retail deposits. The most important sources of wholesale funding are the unsecured funding issued under the Central Bank's EMTN programme and the covered bonds issued by Sp Mortgage Bank.

Derivatives are only used for hedging. The collateral needs that would result from the impact of an adverse market scenario on the Amalgamation's derivative transactions comprised less than 5% of the LCR net outflows at the end of 2021.

The Amalgamation's business is conducted in euros and there is no currency mismatch in LCR.

The Amalgamation had at the end of 2021 LCR compliant liquid assets (before haircuts) 1,438 (1,550) million euros, of which 71 (76) per cent were notes and coins and central bank receivables, 14 (12) per cent were government bonds, 15 (12) per cent were other liquid assets. The Amalgamation's LCR was 161 (196) per cent at the end of 2021.

The net stable funding requirement (NSFR) ratio was 127%, which is notably higher than the regulatory limit of 100 per cent. The available stable funding was EUR 10,000.2 million. Its largest items were deposits with EUR 6,072.6 million, primary capital (T1) EUR 1,098.3 million and issued bonds with EUR 1,995.3 million. Required stable funding was EUR 7,859.8 million and consisted mostly of lending with 6,856.6 million euros.

## TABLE EU LIQ1 – QUANTITATIVE INFORMATION OF LCR

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| **(EUR 1,000)** | | **Total unweighted value (average)** | | | | **Total weighted value (average)** | | | |
| **EU 1a** | **Quarter ending on (31 December 2021)** | **31.12.2021** | **30.9.2021** | **30.6.2021** | **31.3.2021** | **31.12.2021** | **30.9.2021** | **30.6.2021** | **31.3.2021** |
| **EU 1b** | **Number of data points used in the calculation of averages** | **12** | **12** | **12** | **12** | **12** | **12** | **12** | **12** |
| **HIGH-QUALITY LIQUID ASSETS** | | | | | | | | | |
| 1 | Total high-quality liquid assets (HQLA) | | | | | 1,340,746 | 1,669,293 | 1,378,143 | 1,294,896 |
| **CASH - OUTFLOWS** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 6,197,871 | 6,342,457 | 6,258,937 | 6,129,786 | 380,072 | 386,142 | 381,909 | 373,258 |
| 3 | Stable deposits | 5,093,474 | 5,243,066 | 5,171,984 | 5,077,036 | 254,674 | 262,153 | 258,599 | 253,852 |
| 4 | Less stable deposits | 1,104,397 | 1,099,391 | 1,086,953 | 1,052,750 | 125,398 | 123,989 | 123,310 | 119,406 |
| 5 | Unsecured wholesale funding | 809,567 | 922,574 | 959,002 | 778,227 | 434,065 | 559,803 | 507,694 | 451,987 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 25,000 | 25,000 | 25,000 | 25,000 | 6,250 | 6,250 | 6,250 | 6,250 |
| 7 | Non-operational deposits (all counterparties) | 784,344 | 896,884 | 929,419 | 747,463 | 427,592 | 552,862 | 496,861 | 439,973 |
| 8 | Unsecured debt | 223 | 691 | 4,583 | 5,764 | 223 | 691 | 4,583 | 5,764 |
| **9** | **Secured wholesale funding** | | | | | | | | |
| 10 | Additional requirements | 772,291 | 813,284 | 853,231 | 743,691 | 62,835 | 68,559 | 87,268 | 64,601 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 20,393 | 20,282 | 41,190 | 23,590 | 20,393 | 20,282 | 41,190 | 23,590 |
| 12 | Outflows related to loss of funding on debt products | | 625 | | | | 625 | | |
| 13 | Credit and liquidity facilities | 751,898 | 792,377 | 812,041 | 720,101 | 42,442 | 47,652 | 46,078 | 41,011 |
| 14 | Other contractual funding obligations | 10,716 | 11,130 | 9,816 | 10,121 | 26 | 1,524 | 413 | 268 |
| 15 | Other contingent funding obligations | 75,636 | 74,921 | 74,200 | 68,056 | 1,182 | 1,181 | 1,173 | 1,123 |
| 16 | TOTAL CASH OUTFLOWS | | | | | 878,180 | 1,017,209 | 978,457 | 891,237 |
| **CASH - INFLOWS** | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | | | | | | | | |
| 18 | Inflows from fully performing exposures | 54,124 | 57,362 | 59,686 | 87,915 | 30,953 | 32,352 | 33,851 | 53,290 |
| 19 | Other cash inflows | 43,188 | 53,267 | 150,009 | 44,626 | 12,174 | 22,174 | 116,611 | 12,226 |
| EU-19a | (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | | | | |
| EU-19b | (Excess inflows from a related specialised credit institution) | | | | | | | | |
| 20 | TOTAL CASH INFLOWS | 97,312 | 110,630 | 209,694 | 132,540 | 43,128 | 54,526 | 150,463 | 65,516 |
| EU-20a | Fully exempt inflows | | | 58,798 | | | | | |
| EU-20b | Inflows subject to 90% cap | | | 209,694 | | | | | |
| EU-20c | Inflows subject to 75% cap | 97,312 | 110,630 | 209,694 | 132,540 | 43,128 | 54,526 | 150,463 | 65,516 |
| **TOTAL ADJUSTED VALUE** | | | | | | | | | |
| EU-21 | LIQUIDITY BUFFER | | | | | 1,340,746 | 1,669,293 | 1,378,143 | 1,294,896 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 835,052 | 962,684 | 827,994 | 825,720 |
| 23 | LIQUIDITY COVERAGE RATIO | | | | | 160,56 % | 173,40 % | 166,44 % | 156,82 % |

## TABLE EU LIQ2: NET STABLE FUNDING RATIO

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Unweighted value by residual maturity | | | | Weighted value |
| (EUR 1,000) | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **Available stable funding (ASF) Items** | | | | | | |
| 1 | Capital items and instruments | 1,096,604 | | | 1,673 | 1,098,277 |
| 2 | Own funds | 1,096,604 | | | 1,673 | 1,098,277 |
| 3 | Other capital instruments | | | | | |
| 4 | Retail deposits | | 6,342,336 | 88,061 | 21,982 | 6,072,604 |
| 5 | Stable deposits | | 5,218,390 | 46,905 | 11,004 | 5,013,035 |
| 6 | Less stable deposits | | 1,123,946 | 41,156 | 10,978 | 1,059,569 |
| 7 | Wholesale funding: | | 1,211,683 | 878,540 | 2,026,056 | 2,829,304 |
| 8 | Operational deposits | | 25,000 | | | 12,500 |
| 9 | Other wholesale funding | | 1,236,683 | 878,540 | 2,026,056 | 2,841,804 |
| **10** | **Interdependent liabilities** | | | | | |
| 11 | Other liabilities: | | 266,488 | | | |
| 13 | All other liabilities and capital instruments not included in the above categories | | 266,488 | | | |
| 14 | Total available stable funding (ASF) | | | | | 10,000,184 |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | 123,909 |
| EU-15a | Assets encumbered for a residual maturity of one year or more in a cover pool | | 72,623 | 73,616 | 2,093,871 | 1,904,093 |
| **16** | **Deposits held at other financial institutions for operational purposes** | | | | | |
| 17 | Performing loans and securities: | | 370,433 | 361,891 | 6,961,180 | 5,375,842 |
| 19 | Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions | | 422 | | 9,867 | 9,909 |
| 20 | Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: | | 152,354 | 145,477 | 2,598,767 | 4,951,619 |
| 21 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 37,287 | 36,911 | 724,934 | 3,246,624 |
| 22 | Performing residential mortgages, of which: | | 200,871 | 198,846 | 3,905,816 | |
| 23 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | | 200,871 | 198,846 | 3,905,322 | |
| 24 | Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products | | 16,787 | 17,567 | 446,729 | 414,315 |
| **25** | **Interdependent assets** | | | | | |
| 26 | Other assets: | | 105,335 | 3,275 | 354,654 | 387,666 |
| 31 | All other assets not included in the above categories | | 105,335 | 3,275 | 354,654 | 387,666 |
| 32 | Off-balance sheet items | | 271,127 | 111,526 | 452,296 | 40,366 |
| 33 | Total RSF | | | | | 7,831,877 |
| 34 | Net Stable Funding Ratio (%) | | | | | 127,23 % |

## 6.5. ASSET ENCUMBRANCE

The Amalgamation's asset encumbrance level was 19,3% at the end of 2021. The most significant source of asset encumbrance for the Amalgamation were covered bonds issued by Sp Mortgage Bank. Mortgage bank activity accounted for 97% of the Amalgamation's asset encumbrance.

Sp Mortgage Bank had EUR 1,500 million of outstanding covered bonds and EUR 2,247 million of encumbered mortgage loans at the end of 2021.

The amalgamation has not retained any of Sp Mortgage Bank's issued covered bonds.

### TABLE EU AE2 – COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED

| | | Fair value of encumbered collateral received or own debt securities issued | | Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance | |
|---|---|---|---|---|---|
| | | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA |
| **31.12.2021 (EUR 1,000)** | | **010** | **030** | **040** | **060** |
| 130 | Collateral received by the disclosing institution | | | 33,238 | |
| 140 | Loans on demand | | | 33,238 | |
| 250 | TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED | 2,257,900 | 16,242 | | |

### TABLE EU AE3 – SOURCES OF ENCUMBRANCE

| | | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered |
|---|---|---|---|
| **31.12.2021 (EUR 1,000)** | | **010** | **030** |
| 010 | Carrying amount of selected financial liabilities | 1,585,036 | 2,257,633 |

## TABLE EU AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

| | | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|---|
| | | | of which notionally eligible EHQLA and HQLA | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA | | of which EHQLA and HQLA |
| | | 010 | 030 | 040 | 050 | 060 | 080 | 090 | 100 |
| 010 | Assets of the disclosing institution | 2,257,900 | 16,242 | | | 9,799,925 | 1,506,086 | | |
| 030 | Equity instruments | | | | | 71,932 | | 71,997 | |
| 040 | Debt securities | 97,421 | 16,242 | 97,421 | 16,242 | 777,755 | 406,965 | 778,133 | 407,398 |
| 050 | of which: covered bonds | | | | | 34,243 | 25,101 | 34,245 | 25,103 |
| 060 | of which: covered bonds | | | | | | | | |
| 070 | of which: issued by general governments | 4,898 | 4,043 | 4,898 | 4,043 | 178,745 | 177,622 | 179,178 | 178,035 |
| 080 | of which: issued by financial corporations | 57,864 | | 57,864 | | 147,183 | 33,770 | 147,585 | 33,771 |
| 090 | of which: issued by non-financial corporations | 34,229 | 10,682 | 34,229 | 10,682 | 434,124 | 185,575 | 434,318 | 185,575 |
| 120 | Other assets | 2,151,259 | | | | 8,894,354 | 1,091,114 | | |

## 6.6 REAL ESTATE RISK

Real estate risk arises when the prices on the real estate market or rent levels fall and thus the Savings Banks Amalgamation receives lower returns on its real estate investments. Real estate investments are not core business in banking segment. In the Amalgamation real estate investments are secured with full value insurance. Property, plant, equipment, and investment property have measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note investments assets.

## 6.7 OPERATIONAL RISK

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel, systems or external factors. Legal risks are also included in the operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have assessed in the evaluation of operational risks at the Group and Amalgamation level. Strategic risks have here excluded from operational risks.

The Savings Banks Amalgamation's operations comply with the current legislation, government regulations, the rules of good banking practices as confirmed by the Federation of Finnish Financial Services and the principles of the management of operational risks, along with other internal guidelines of the Savings Banka Amalgamation.

The Board of Directors of the Savings Banks Amalgamation's Central Institution has the overall responsibility for Savings Banks Amalgamation-level operational risks and for defining risk levels and operational risk management procedures related to their identification, measurement, mitigation, monitoring and control. The Board of Directors of the Central Institution approves the principles and key operational guidelines of the operational risk management in the Savings Banks Amalgamation.

The Savings Banks Amalgamation has identified the operational risks associated with the most important products, services, operations, processes and systems. Identifying operational risks helps determine their monitoring and controls. Some of the losses caused by operational risks are covered by insurance. The continuity plans of member banks and product and service companies help prepare for significant interruptions in operations.

Within the Savings Banks Amalgamation, operational risks, realised losses and near misses are regularly reported to the management.

## 6.8 LEGAL RISKS

Legal risks refer to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. The Savings Banks Group comply with standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, legal services are used, and external experts are consulted when needed.

Compliance function has been established to ensure that Savings Banks Amalgamation comply with regulations and internal guidelines. Compliance function's responsibility is to ensure that the Savings Banks Amalgamation comply with laws, regulations and guidelines. Compliance function also ensures that the Savings Banks Amalgamation comply with its own internal guidelines, ethical principles for personnel and other instructions.

## 6.9 BUSINESS RISK

Business risk describes the impact of uncertainties caused by the operating environment on Savings Banks Group's business. Business risks arise from competition, from changes in markets and customer behavior as well as from unexpected income fluctuations. Business risks can also arise by choosing a wrong strategy, ineffective management or slow response to changes in the operating environment. The strategic and business planning are the tools to manage and minimize the business risks at the Savings Banks Group and Savings Banks Amalgamation level.

# 7. ASSET MANAGEMENT AND LIFE INSURANCE

## 7.1 ASSET MANAGEMENT

In the Savings Banks Group, Sp-Fund Management Company Ltd engages in the management of fund products and the production of asset management services in terms of both the management of Savings Banks' own portfolios and for the customers of Savings Banks.

Fund capital managed by Sp-Fund Management Company totaled EUR 4.5 (3.6) billion. The total number of investment funds managed at the end of 2021 was 22 investment funds and 10 special investment funds.

## 7.2 LIFE INSURANCE

The most significant risks in life insurance concern insurance contracts and investment operations. The risks related to insurance contracts are the insurance risk, the interest rate risk and the expense risk. The technical bases applied to life insurance products in accordance with the Insurance Companies Act are prudent which means that, under normal conditions, the pricing in accordance with the technical bases produces surplus for the company.

### PROFITABILITY OF LIFE INSURANCE

| (EUR 1,000) | 31.12.2021 | | | 31.12.2020 |
|---|---|---|---|---|
| | Risk premiums | Claims incurred | Claims ratio | Claims ratio |
| Risk insurance | 4,299 | 991 | 23 % | 66 % |
| Savings and pension insurance | 20,507 | 19,653 | 96 % | 96 % |
| Total | 24,807 | 20,644 | 83 % | 93 % |

### INSURANCE RISK

The most significant insurance risks have linked to pure risk products. These products include loan insurance, which covers death, permanent disability and accidental permanent disability. Such risks have managed by the insurance terms and conditions, careful selection of risks, correct pricing and reinsurance. In permanent disability and in accidental permanent disability insurance, it is possible to increase the contributions for the existing insurance portfolio when the claims ratio weakens. In terms of the selection of risks, we have determined clear grounds for taking insurance risks. The company follows in the risk selection process instructions prepared by the reinsurer.

The sum insured exceeding certain level have reinsured and the existence of the reinsurance cover is dependent on continuous compliance with the existing instructions. The Board of Directors confirms the principles of reinsurance and the excess annually. In the same context, the credit risk related to the reinsurer is assessed.

### INTEREST RATE RISK

The interest rate risks of life insurance are related to either the interest rate credited for contracts or then the interest rate credited for technical provisions. In savings products, the company uses a combination of annual interest and additional interest confirmed annually. This enables adaptation to current market situations by annually adjusting the interest rate credited to customers on market terms. This significantly reduces the interest rate risk incurred from insurance contracts. According to the principle of reasonableness, the company shall seek balanced income for contracts with guaranteed interest. The company has prepared for this by interest supplements.

## EXPENSE RISK

The company's products have priced in terms of the expense loadings received from the products to cover the expenses incurred. The expense loadings have dimensioned based on product lifecycle thinking, whereby the expense loadings received from the contracts have allocated over the entire lifetime of the contract. With regard to life insurance, company analyses the profitability of insurance products at least once a year, based on which the premiums and loading of the insurance policies granted is assessed. The analysis indicates the sufficiency of the risk premiums received to cover the claims incurred, the sufficiency of the expense loadings to cover the expenses and the compatibility of the interest paid with the investment income received. By means of the analysis, company annually monitors the sufficiency of the pricing by insurance product and takes the necessary corrective steps.

## SENSITIVITY ANALYSIS OF TECHNICAL PROVISIONS

The insurance portfolio includes risk insurances and savings insurances. Risk insurance policies are life insurance policies linked to loans granted by sales channels, the related cover of which may include permanent disability or accidental permanent disability insurance policies. Savings insurance policies include endowment policies, pension and group pension insurance policies and capitalization agreements. The company does not have the possibility to affect the premiums for, or other terms and conditions of, already granted insurance policies materially.

Risk insurance policies have related to mortality and disability risks. This risk is managed by the appropriate selection of risks, profitability of business-related underwriting risk and reinsurance. The largest insured-specific sum insured on company own responsibility is currently EUR 150,000 with regard to both life and disability risks. In addition, the company has catastrophe cover, which restricts the maximum amount of damage incurred from one loss event to EUR 500,000.

The majority of the savings insurance base is unit-linked, but all insurance contracts include an option to transfer the savings between the unit-linked and the guaranteed interest savings part. In recent years, this option has been used so that net savings have been transferred from the guaranteed interest savings part to the unit-linked part. Savings insurance policies include a surrender option, which is restricted by terms and conditions during the first three years of the contracts. In addition, any surrender is restricted by tax legislation with regard to pension insurance. The majority of endowment insurance policies end with surrender, and it is taken into account in the lifecycle of the contract. The third uncertainty factor related to savings insurance policies is the right of the policyholder to change the payment plan of the insurance. Changes to the payment plan have not been restricted in the terms and conditions.

The guaranteed interest savings insurance policies have discounted using a contract-specific interest rate, which is not a market rate. The contract-specific interest rate varies between 0 % and 0.5 %. In 2021, it was an average of 0.13 %. EUR 8.9 million has been reserved for future discretionary bonuses included in technical provisions, which is estimated to cover 80 per cent of the future discretionary bonuses during the next ten years.

## RISKS OF INVESTMENT OPERATIONS

The objective of the investment operations of life insurance is to achieve the best possible continuous income at an acceptable risk level, while at the same time securing the company's capital requirements and the compatibility of the structure of assets and liabilities. The most significant risks are the decline in the value of investments, an insufficient level of returns for the requirements set by technical provisions and the reinvestment risk of investment assets falling due. Risks have managed by efficient diversification, while at the same time taking into account the regulation related to assets covering technical provisions. The value of the assets covering technical provisions shall continuously be as large as the amount to be covered according to the provisions of the Insurance Companies Act.

## INTEREST RATE RISK

### DISTRIBUTION OF INVESTMENT ASSETS

**(EUR 1,000)**

| Type of investment | | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Bonds | | | |
| | Bonds | | |
| | Fixed-income funds | 102,162 | 107,460 |
| Shares, Developed markets | | | |
| | Shares | 3,200 | 12,081 |
| | Equity funds | 36,591 | 25,753 |
| Structured investments | | | 936 |
| Hedge funds | | 9,552 | 2,290 |
| Real estate | | | |
| | Real estate | | |
| | Real estate funds | 11,514 | 10,445 |
| Bank receivables in investments | | 4,366 | 4,328 |
| Total | | 167,387 | 163,292 |

### BOND AND FIXED INCOME FUND INVESTMENTS ACCORDING TO MODIFIED DURATION

**(EUR 1,000)**

| Modified duration | 31.12.2021 | Share | 31.12.2020 | Share |
|---|---|---|---|---|
| 0 - 1 | 24,849 | 24 % | 23,383 | 22 % |
| 1-3 | 18,047 | 18 % | 19,078 | 18 % |
| 3-5 | 21,117 | 21 % | 27,036 | 25 % |
| 5-7 | 13,388 | 13 % | 14,251 | 13 % |
| 7-10 | 11,683 | 11 % | 10,782 | 10 % |
| 10 - | 13,079 | 13 % | 12,919 | 12 % |
| Total | 102,162 | 100 % | 107,449 | 100 % |

## COUNTERPARTY RISK

### BONDS AND STRUCTURED LOANS ACCORDING TO MATURITY AND CREDIT RATING

| (EUR 1,000) | Maturity | | | | | | 31.12.2021 | | 31.12.2020 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Credit rating | 0 - 1 | 1 - 3 | 3 - 5 | 5 - 7 | 7 - 10 | 10 - | Total | Share | Total | Share |
| AAA | 108 | 839 | 998 | 556 | 2,487 | 3,308 | 8,297 | 8 % | 5,781 | 5 % |
| AA | 17 | 288 | 935 | 285 | 1,570 | 1,729 | 4,824 | 5 % | 12,703 | 12 % |
| A | 2,763 | 2,376 | 1,440 | 1,564 | 1,821 | 1,782 | 11,747 | 11 % | 24,416 | 23 % |
| BBB | 6,701 | 5,171 | 4,638 | 3,445 | 2,997 | 3,392 | 26,343 | 26 % | 17,040 | 16 % |
| < BBB | 3,985 | 8,337 | 12,143 | 7,028 | 2,803 | 2,712 | 37,008 | 36 % | 15,915 | 15 % |
| Unclassified | 11,275 | 1,035 | 962 | 509 | 5 | 156 | 13,942 | 14 % | 32,540 | 30 % |
| Total | 24,849 | 18,047 | 21,117 | 13,388 | 11,683 | 13,079 | 102,162 | 100 % | 108,396 | 100 % |

## CURRENCY RISK

**Investments by currency (EUR 1,000)**

| Currency | 31.12.2021 | Share | 31.12.2020 | Share |
|---|---|---|---|---|
| EUR | 148,974 | 89 % | 147,911 | 91 % |
| USD | 11,048 | 7 % | 6,324 | 4 % |
| GBP | 4,687 | 3 % | 1,431 | 1 % |
| Others | 2,678 | 2 % | 7,627 | 5 % |
| Total | 167,387 | 100 % | 163,292 | 100 % |

Fund investments in euro-hedged funds have classified to be euro-denominated. The currencies in other funds have based on the quotation currencies of the securities included in the fund.

To protect parts of investment assets, it is also possible to use derivatives for hedging purposes, as necessary.

The investment risk is monitored through sensitivity analyses and through the value-at-risk technique. Issuer manages the credit risk of investment operations and counterparty limits.

## SENSITIVITY ANALYSIS

| (EUR 1,000) | Change in own funds | | |
|---|---|---|---|
| **Risk factor** | **Change** | **31.12.2021** | **31.12.2020** |
| Interest | +1%-point | -1,021 | -815 |
| | -1%-point | 2,621 | -1,797 |
| Share | -10 % | -4,079 | -3,951 |
| Real estate | -10 % | -1,151 | -1,045 |
| Currency | Others/Euro -10% | -1,791 | -1,538 |
| Structured loans | -10 % | | -94 |

# 8. OTHER PILLAR 3 DISCLOSURES

The table EU LI3 provides information on the entities that are included in the accounting scope of consolidation (The Savings Banks Group) and/or prudential scope of consolidation (The Savings Banks Amalgamation). The method used in the accounting scope of consolidation is disclosed in column b, and the prudential scope of consolidation is disclosed in column c. The entities which are only part of the Savings Banks Group but not the Amalgamation can be identified based on column f.

## TABLE EU LI3 - OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

31.12.2021

| a | b | c | f | h |
|---|---|---|---|---|
| Name of the entity | Method of accounting consolidation | Method of prudential consolidation | | Description of the entity |
| | | Full consolidation | Neither consolidated nor deducted | |
| Länsi-Uudenmaan Säästöpankki | Full consolidation | x | | Credit institution |
| Ekenäs Sparbank | Full consolidation | x | | Credit institution |
| Myrskylän Säästöpankki | Full consolidation | x | | Credit institution |
| Helmi Säästöpankki Oy | Full consolidation | x | | Credit institution |
| Lammin Säästöpankki | Full consolidation | x | | Credit institution |
| Liedon Säästöpankki | Full consolidation | x | | Credit institution |
| Someron Säästöpankki | Full consolidation | x | | Credit institution |
| Säästöpankki Kalanti-Pyhäranta | Full consolidation | x | | Credit institution |
| Mietoisten Säästöpankki | Full consolidation | x | | Credit institution |
| Nooa Säästöpankki Oy | Full consolidation | x | | Credit institution |
| Eurajoen Säästöpankki | Full consolidation | x | | Credit institution |
| Säästöpankki Sinetti | Full consolidation | x | | Credit institution |
| Aito Säästöpankki Oy | Full consolidation | x | | Credit institution |
| Säästöpankki Optia | Full consolidation | x | | Credit institution |
| Avain Säästöpankki | Full consolidation | x | | Credit institution |
| Ylihärmän Säästöpankki | Full consolidation | x | | Credit institution |
| Kvevlax Sparbank | Full consolidation | x | | Credit institution |
| Närpiön Säästöpankki Oy | Full consolidation | x | | Credit institution |
| Säästöpankkien Keskuspankki Suomi Oy | Full consolidation | x | | Credit institution |
| Sp-Kiinnitysluottopankki Oyj | Full consolidation | x | | Credit institution |
| Sp-rahastoyhtiö Oy | Full consolidation | x | | Fund management company |
| Säästöpankkipalvelut Oy | Full consolidation | x | | Service company |
| Säästöpankkiliitto osk | Full consolidation | x | | Central body of the amalgamation |
| Kiinteistö Oy Oriveden Läsimäki Orivesi | Full consolidation | x | | Real estate company |
| Kiinteistö Oy Eräjärven Pankkitalo Eräjärvi | Full consolidation | x | | Real estate company |
| Kiinteistö Oy Kaustisen Säästökeskus Pietarsaari | Full consolidation | x | | Real estate company |
| KOy Kälviän Säästöpuisto | Full consolidation | x | | Real estate company |
| Kiinteistö Oy Kalajoenrinne Kalajoki | Full consolidation | x | | Real estate company |
| Kiinteistö Oy Säästö-Erkko Orimattila | Full consolidation | x | | Real estate company |
| Fast Ab Kvevlax Affärshus Koivulahti | Full consolidation | x | | Real estate company |
| Fast Ab Bankborg Koivulahti | Full consolidation | x | | Real estate company |
| Kiinteistö Oy Toritammi-Torgeken Fastighets Ab Kaskinen | Full consolidation | x | | Real estate company |
| Sp-Isännöintipalvelu Oy | Full consolidation | | x | Real estate management company |
| Figure Taloushallinto Oy | Equity method | | x | Associated company |
| Sp-Koti Oy | Full consolidation | | x | Real estate agent service company |
| Säästöpankkien Holding Oy | Full consolidation | | x | Holding company |
| Sp-Henkivakuutus Oy | Full consolidation | | x | Life insurance company |
| Urbaanit kodit Oy | Full consolidation | | x | Real estate agent service company |

The table EU LI1 provides information on the differences between the main items of the Savings banks group's (column a) and the Savings banks amalgamation's balance sheet (column b) and the allocation of the items into the risk framework (columns c-g). Column b does not always equal the sum of columns c-g because some items are subject to both credit risk and market risk capital requirement (FX risk). The differences between the balance sheets of the Savings Banks Group and the Savings Banks Amalgamation are due to differences in the content and extent of consolidation. In the Savings Banks Amalgamation, Sb Life Insurance is not consolidated but is rather shown in investments made by the consolidation group and the insurance company's equity capital is not included in the equity capital of the consolidation group. The Savings Banks Amalgamation has applied the materiality threshold specified in Article 19 of CRR in the consolidation of its companies.

## TABLE EU LI1 - DIFFERENCES BETWEEN THE ACCOUNTING SCOPE AND THE SCOPE OF PRUDENTIAL CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | Carrying values as reported in published financial statements | Carrying values under scope of prudential consolidation | Carrying values of items | | | | |
| **31.12.2021 (EUR 1,000)** | | | | Subject to the credit risk framework | Subject to the CCR framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to own funds requirements or subject to deduction from own funds |
| | **Assets** | | | | | | | |
| 1 | Cash and cash equivalents | 1,017,904 | 1,017,904 | 1,017,904 | | | 28 | |
| 2 | Loans and advances to credit institutions | 129,484 | 129,550 | 129,550 | | | | |
| 3 | Loans and advances to customers | 9,602,782 | 9,603,198 | 9,603,198 | | | | |
| 4 | Derivatives | 33,693 | 33,693 | | 33,693 | | | |
| 5 | Investment assets | 974,226 | 987,459 | 987,459 | | | 2,072 | |
| 6 | Life insurance assets | 1,160,683 | | | | | | |
| 7 | Investments in associates and joint ventures | 102 | 102 | 102 | | | | |
| 8 | Property, plant and equipment | 46,222 | 45,992 | 45,992 | | | | |
| 9 | Intangible assets | 35,323 | 31,214 | | | | | 31,214 |
| 10 | Tax assets | 10,556 | 10,320 | 2,680 | | | | 7,640 |
| 11 | Other assets | 68,120 | 73,989 | 65,170 | 8,819 | | | |
| 12 | Total assets | 13,079,096 | 11,933,422 | 11,852,056 | 42,512 | | 2,101 | 38,854 |
| | | | | | | | | |
| | **Assets** | | | | | | | |
| 1 | Liabilities | 13,706 | | | | | | |
| 2 | Financial liabilities at fair value through profit or loss | 423,705 | 423,705 | | | | | 423,705 |
| 3 | Liabilities to credit institutions | 7,682,351 | 7,687,766 | | | | | 7,687,766 |
| 4 | Liabilities to customers | 15,511 | 15,511 | | 15,511 | | | |
| 5 | Derivatives | 2,500,165 | 2,500,165 | | | | | 2,500,165 |
| 6 | Debt securities issued | 1,084,728 | | | | | | |
| 7 | Life insurance liabilities | 13,427 | 13,343 | | | | | 13,343 |
| 8 | Subordinated liabilities | 65,760 | 61,122 | | | | | 61,122 |
| 9 | Tax liabilities | 89,450 | 89,364 | | 231 | | | 89,133 |
| 10 | Provisions and other liabilities | 11,888,804 | 10,790,977 | | 15,743 | | | 10,775,234 |

Table EU L2 disclosures of the main differences between the carrying values in the Savings Banks Group's financial statement and regulatory exposure amounts in the capital adequacy calculation of the Savings Banks Amalgamation. In the table, column a does not always equal the sum of columns b-e because some of the balance sheet items are subject to more than one risk framework.

## TABLE EU LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | Total | Items subject to | | | |
| **31.12.2021 (EUR 1,000)** | | | Credit risk framework | Securitisation framework | CCR framework | Market risk framework |
| 1 | Assets carrying value amount under the scope of prudential consolidation (as per Table LI1) | 11,894,568 | 11,852,056 | | 42,512 | 2,101 |
| 2 | Liabilities carrying value amount under the scope of prudential consolidation (as per Table LI1) | 15,743 | | | 15,743 | |
| 3 | Total net amount under the scope of prudential consolidation | 11,878,826 | 11,852,056 | | 26,770 | 2,101 |
| 4 | Off-balance-sheet amounts | 856,268 | 856,268 | | | |
| 5 | Differences in valuations | -927 | -927 | | | |
| 6 | Differences due to different netting rules, other than those already included in row 2 | 27,129 | | | 27,129 | |
| 7 | Differences due to consideration of provisions | | | | | |
| 8 | Differences due to the use of credit risk mitigation techniques (CRMs) | -75,611 | -72,531 | | -3,080 | |
| 9 | Differences due to credit conversion factors | -542,815 | -542,815 | | | |
| 10 | Differences due to Securitisation with risk transfer | | | | | |
| 11 | Other differences | 58,138 | 24,450 | | 33,688 | |
| 12 | Exposure amounts considered for regulatory purposes | 12,201,008 | 12,116,502 | | 84,506 | |

Composition of the Savings Banks Amalgamation's regulatory own funds is disclosed in the table EU CC1 and the reconciliation of the regulatory own funds to the balance sheet in the Savings Banks Group's financial statements is provided in the EU CC2 table.

## TABLE EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

| 31.12.2021 (EUR 1,000) | | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| **Common Equity Tier 1 (CET1) capital: instruments and reserves** | | | |
| 1 | Capital instruments and the related share premium accounts | 57,777 | |
| | of which: Shares | 25,313 | (a) |
| | of which: Primary capital | 32,452 | (b) |
| | of which: Share premium accounts | 12 | (c) |
| 2 | Retained earnings | 757,259 | (d) |
| 3 | Accumulated other comprehensive income (and other reserves) | 254,849 | (c) |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 67,440 | (d) |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 1,137,326 | |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | |
| 7 | Additional value adjustments (negative amount) | -927 | |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -31,214 | (e) |
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | -941 | (f) |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount) | -7,640 | (g) |
| 28 | Total regulatory adjustments to Common Equity Tier 1 (CET1) | -40,722 | |
| 29 | Common Equity Tier 1 (CET1) capital | 1,096,604 | |
| **Additional Tier 1 (AT1) capital: instruments** | | | |
| 36 | Additional Tier 1 (AT1) capital before regulatory adjustments | | |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | |
| 43 | Total regulatory adjustments to Additional Tier 1 (AT1) capital | | |
| 44 | Additional Tier 1 (AT1) capital | | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 1,096,604 | |

| | | | |
|---|---|---|---|
| **Tier 2 (T2) capital: instruments** | | | |
| 46 | Capital instruments and the related share premium accounts | 1,673 | (h) |
| 51 | Tier 2 (T2) capital before regulatory adjustments | 1,673 | |
| **Tier 2 (T2) capital: regulatory adjustments** | | | |
| 57 | Total regulatory adjustments to Tier 2 (T2) capital | | |
| 58 | Tier 2 (T2) capital | 1,673 | |
| 59 | Total capital (TC = T1 + T2) | 1,098,277 | |
| 60 | Total Risk exposure amount | 5,626,667 | |
| **Capital ratios and requirements including buffers** | | | |
| 61 | Common Equity Tier 1 capital | 19,49 % | |
| 62 | Tier 1 capital | 19,49 % | |
| 63 | Total capital | 19,52 % | |
| 64 | Institution CET1 overall capital requirements | 7,71 % | |
| 65 | of which: capital conservation buffer requirement | 2,50 % | |
| 66 | of which: countercyclical capital buffer requirement | 0,01 % | |
| 67 | of which: systemic risk buffer requirement | 0,00 % | |
| EU-67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement | 0,00 % | |
| EU-67b | of which: additional own funds requirements to address the risks other than the risk of excessive leverage | 0,70 % | |
| 68 | Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements | 10,27 % | |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 10,448 | (i) |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions) | 24,651 | (i) |

## TABLE EU CC2 – RECONCILIATION OF REGULATORY OWN FUNDS TO BALANCE SHEET IN THE AUDITED FINANCIAL STATEMENTS

| | | a | b | c |
|---|---|---|---|---|
| | | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Refer-ence |
| **31.12.2021 (EUR 1,000)** | | **31.12.2021** | **31.12.2020** | |
| **Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*** | | | | |
| 1 | Cash and cash equivalents | 1,017,904 | 1,017,904 | |
| 2 | Loans and advances to credit institutions | 129,484 | 129,550 | |
| 3 | Loans and advances to customers | 9,602,782 | 9,603,198 | |
| 4 | Derivatives | 33,693 | 33,693 | |
| 5 | Investment assets | 974,226 | 987,459 | (i) |
| 6 | Life insurance assets | 1,160,683 | | |
| 7 | Investments in associates and joint ventures | 102 | 102 | |
| 8 | Property, plant and equipment | 46,222 | 45,992 | |
| 9 | Intangible assets | 35,323 | 31,214 | (e) |
| 10 | Tax assets | 10,556 | 10,320 | |
| | ow: deferred tax assets | 7,784 | 7,640 | (g) |
| 11 | Other assets | 68,120 | 73,989 | |
| 12 | Total assets | 13,079,096 | 11,933,422 | |
| **Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*** | | | | |
| 1 | Financial liabilities at fair value through profit or loss | 13,706 | | |
| 2 | Liabilities to credit institutions | 423,705 | 423,705 | |
| 3 | Liabilities to customers | 7,682,351 | 7,687,766 | |
| 4 | Derivatives | 15,511 | 15,511 | |
| 5 | Debt securities issued | 2,500,165 | 2,500,165 | |
| 6 | Life insurance liabilities | 1,084,728 | | |
| 7 | Subordinated liabilities | 13,427 | 13,343 | |
| | ow which: Tier 2 elligible subordinated liabilities | 1,673 | 1,673 | (h) |
| 8 | Tax liabilities | 65,760 | 61,122 | |
| 9 | Provisions and other liabilities | 89,450 | 89,364 | |
| 10 | Total liabilities | 11,888,804 | 10,790,977 | |
| **Shareholders' Equity** | | | | |
| 1 | Basic capital | 25,235 | 25,353 | (a) |
| 2 | Primary capital | 32,452 | 32,452 | (b) |
| 3 | Reserves | 266,350 | 254,822 | (c) |
| | ow which: cash flow hedges | -941 | -941 | (f) |
| 4 | Retained earnings | 864,871 | 828,387 | (d) |
| 5 | Non-controlling interests | 1,384 | 1,432 | |
| 6 | Total shareholders' equity | 1,190,293 | 1,142,446 | |

The table EU CC2 discloses information on the main features of the own funds instruments. Regarding MREL instruments only debentures are included because other MREL instruments are not in the scope of disclosure requirements according to CRR (Article 437 and 437a).

# TABLE EU CCA: MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS

| 31.12.2021 | | Own funds instruments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Share capital** | **Basic fund** | **Debentures which are included in own funds but not eligible liability ( maturity <1 year)** | | | | | **Debentures which meet requirements of own funds and eligible liabilities (maturity >1 year)** | |
| 1 | Issuer | Jäsen-säästöpankit | Jäsen-säästöpankit | Liedon Säästöpankki | Nooa Säästöpankki Oy | Liedon Säästöpankki | Avain Säästöpankki | Ylihärmän Säästöpankki | Nooa Säästöpankki Oy | Myrskylän Säästöpankki |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | N/A | N/A | FI4000223946 | FI4000251988 | FI4000252200 | FI4000257449 | FI4000257449 | FI4000282975 | FI4000288394 |
| 2a | Public or private placement | Private | Private | Private | Private | Private | Private | Private | Private | Private |
| 3 | Governing law(s) of the instrument | Legislation of Finland | Legislation of Finland | Legislation of Finland | Legislation of Finland | Legislation of Finland | Legislation of Finland | Legislation of Finland | Legislation of Finland | Legislation of Finland |
| 3a | Contractual recognition of write down and conversion powers of resolution authorities | N/A | N/A | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| | *Regulatory treatment* | | | | | | | | | |
| 4 | Current treatment taking into account, where applicable, transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 |
| 5 | Post-transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 | Tier 2 |
| 6 | Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated | Solo and (Sub-) Consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Share | Basic fund share | Liability 63 art. | Liability 63 art. | Liability 63 art. | Liability 63 art. | Liability 63 art. | Liability 63 art. | Liability 63 art. |
| 8 | Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date) | Regulatory own funds: 25,313 | Regulatory own funds: 32,452 | Regulatory own funds : 0,103 | Regulatory own funds: 0,077 | Regulatory own funds: 0,185 | Regulatory own funds: 0,315 | Regulatory own funds: 0,552 | Regulatory own funds: 0,137 Eligible liabilities: 0,665 | Regulatory own funds: 0,303 Eligible liabilities: 1,393 |
| 9 | Nominal amount of instrument | N/A | 32,452 | 3,634 | 0,708 | 1,443 | 2,000 | 3,500 | 0,665 | 1,393 |
| EU-9a | Issue price | N/A | 100 % | 100,00 % | 100,00 % | 100,00 % | 100,00 % | 100,00 % | 100,00 % | 100,00 % |
| EU-9b | Redemption price | N/A | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % |
| 10 | Accounting classification | Shareholders' equity | Shareholders' equity | Liability – amortised cost | Liability – amortised cost | Liability – amortised cost | Liability – amortised cost | Liability – amortised cost | Liability – amortised cost | Liability – amortised cost |
| 11 | Original date of issuance | Share capital of every Savings bank in form of limited liability company has individual date of issuance | Every basic fund emission has individual date of issuance | 21.11.2016 | 18.4.2017 | 22.5.2017 | 8.5.2017 | 8.5.2017 | 11.10.2017 | 1.11.2017 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 12 | Perpetual or dated | Perpetual | Perpetual | Dated | Dated | Dated | Dated | Dated | Dated | Dated |
| 13 | Original maturity date | no maturity | no maturity | 21.2.2022 | 18.7.2022 | 22.8.2022 | 15.10.2022 | 15.10.2022 | 11.1.2023 | 1.2.2023 |
| 14 | Issuer call subject to prior supervisory approval | No | No | No | No | No | No | No | No | No |
| | Coupons / dividends | | | | | | | | | |
| 17 | Fixed or floating dividend/coupon | Floating | Floating | Floating | Fixed | Floating | Fixed | Fixed | Floating | Floating |
| 18 | Coupon rate and any related index | N/A | N/A | 2% / Euribor 12 M | 1,5% | 2% / Euribor 12 M | 2,1% | 2,1% | 0,491% / Euribor 12 M | 2% / Euribor 12 M |
| 19 | Existence of a dividend stopper | No | No | No | No | No | No | No | No | No |
| EU-20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Fully discretionary | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| EU-20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Fully discretionary | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No | No | No | No | No | No | No | No | No |
| 22 | Noncumulative or cumulative | Noncumulative | Noncumulative | Noncumulative | Noncumulative | Noncumulative | Noncumulative | Noncumulative | Noncumulative | Noncumulative |
| 23 | Convertible or non-convertible | Nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible | Nonconvertible |
| 30 | Write-down features | No | No | No | No | No | No | No | No | No |
| 34a | Type of subordination (only for eligible liabilities) | N/A | N/A | N/A | N/A | N/A | N/A | Statutory | Statutory | Statutory |
| EU-34b | Ranking of the instrument in normal insolvency proceedings | Rank 1 | Rank 1 | Rank 3 | Rank 3 | Rank 3 | Rank 3 | Rank 3 | Rank 3 | Rank 3 |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Debentures | Debentures | Subordinated unsecured debt | Subordinated unsecured debt | Subordinated unsecured debt | Subordinated unsecured debt | Subordinated unsecured debt | Subordinated unsecured debt | Subordinated unsecured debt |
| 36 | Non-compliant transitioned features | No | No | No | No | No | No | No | No | No |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 37a | Link to the full term and conditions of the instrument (signposting) | | | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri | https://www.finanssivalvonta.fi/rekisterit/esiter-ekisteri |

The value on the rows 15,16,24,25,26,27,28,29,31,32,33,34 is N/A for all columns of the table.

The table EU PV1 provides information on the prudent value adjustments.

## TABLE EU PV1 – PRUDENT VALUATION ADJUSTMENTS (PVA)

| | | a | b | c | d | e | EU e1 | EU e2 | f | g | h |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 31.12.2021 (EUR 1,000) | | Risk category | | | | | Category level AVA - Valuation uncertainty | | Total category level post-diversification | | |
| Category level AVA | | Equity | Interest Rates | Foreign exchange | Credit | Commodities | Unearned credit spreads AVA | Investment and funding costs AVA | | Of which: Total core approach in the trading book | Of which: Total core approach in the banking book |
| 12 | Total Additional Valuation Adjustments (AVAs) | | | | | | | | **927** | | |

# 9. FULFILMENT OF THE DISCLOSURE REQUIREMENTS

## SAVINGS BANKS AMALGAMATION PILLAR 3 DISCLOSURE

| Reference to pillar 3 report | Disclosure Table |
|---|---|
| **Declaration approved by the Board of Directors of Savings Bank Amalgamation** | |
| | Table EU KM1 - Key metrics Table |
| **Information on corporate governance** | |
| | Table EU OVB- Disclosure on governance arrangements |
| | Table EU REMA – Remuneration policy |
| | Table EU REM1 - Remuneration awarded for the financial year |
| | Table EU REM2 - Special payments  to staff whose professional activities have a material impact on institutions' risk profile (identified staff) |
| | Table EU REM5-Table EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) |
| **Information on risk management** | |
| | Table EU OVA - Institution risk management approach |
| **Capital adequacy management (EU OVC), capital adequacy, leverage ratio and MREL-requirements** | |
| | Table EU OVC - ICAAP information |
| | EU OV1 – Overview of total risk exposure amounts |
| | Table EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts |
| | Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer |
| | Table EU CCyB2 - Amount of institution-specific countercyclical capital buffer |
| | Table EU INS1 - Insurance participations |
| | Table EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures |
| | Table EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures |
| | Table EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) |
| | Table EU LRA - Disclosure of LR qualitative information. |
| **Credit and counterparty risks** | |
| | Table EU CRA: General qualitative information about credit risk |
| | Table EU CRB: Additional disclosure related to the credit quality of assets |
| | Table EU CR2: Changes in the stock of non-performing loans and advances |
| | Table EU CR1: Performing and non-performing exposures and related provisions. |
| | Table EU CQ3: Credit quality of performing and non-performing exposures by past due days |
| | Table EU CQ7: Collateral obtained by taking possession and execution processes |
| | Table EU CQ1: Credit quality of forborne exposures |
| | Table EU CR1-A: Maturity of exposures |
| | Table EU CQ5: Credit quality of loans and advances to non-financial corporations by industry |
| | Table EU CR3 –  CRM techniques overview:  Disclosure of the use of credit risk mitigation techniques |

| | |
|---|---|
| | Table EU CR4 – standardised approach – Credit risk exposure and CRM effects |
| | Table EU CR5 – standardised approach |
| | Table EU CRD – Qualitative disclosure requirements related to standardised approach |
| | Table EU CRC – Qualitative disclosure requirements related to CRM techniques |
| | Table EU CCRA – Qualitative disclosure related to CCR |
| | Table EU CCR1 – Analysis of CCR exposure by approach |
| | Table EEU CCR2 – Transactions subject to own funds requirements for CVA risk |
| | Table EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights |
| | Table EU CCR5 – Composition of collateral for CCR exposures |
| **Market risks** | |
| | Table EU MRA - Qualitative disclosure requirements related to market risk |
| **Interest rate risk in the banking book** | |
| | Table EU IRRBB1 - Interest rate risks of non-trading book activities |
| | Table IRRBBA -Qualitative disclosure on interest rate risks of non-trading book activities |
| **Liquidity risk** | |
| | Table EU LIQB on qualitative information on LCR |
| | Table EU LIQA - Liquidity risk management |
| | Table EU LIQ1 - Quantitative information of LCR |
| | Table EU LIQ2: Net Stable Funding Ratio |
| **Asset encumbrance** | |
| | Table EU AE1 - Encumbered and unencumbered assets |
| | Table EU AE2 - Collateral received and own debt securities issued |
| | Table EU AE3 - Sources of encumbrance |
| | Table EU AE4 - Accompanying narrative information |
| **Operational risks** | |
| | Table EU ORA - Qualitative information on operational risk |
| **Other pillar III disclosures** | |
| | Table EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity) |
| | Table EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories |
| | Table EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements |
| | Table EU LIA - Explanations of differences between accounting and regulatory exposure amounts |
| | Table EU CC1 - Composition of regulatory own funds |
| | Table EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements |
| | Table EU CCA: Main features of regulatory own funds instruments |
| | Table EU PV1 - Prudent valuation adjustments (PVA) |

## EBA TEMPLATES NOT DISCLOSED BY THE SAVINGS BANKS AMALGAMATION BECAUSE DISCLOSURE REQUIREMENT IS NOT APPLICAPLE TO THE SAVINGS BANKS AMALGAMATION:

| CRR article | EBA disclosure template | Rationale |
|---|---|---|
| **436 (f,g,h)** | **EU LIB** | Not applicable |
| 438 (a) | EU OVI (column a) | Supervisor has not demanded the disclosure of the information. |
| 438 (e) | EU CR10 | Internal credit risk models are not in use in the credit risk capital requirement calculation. |
| 438 (g) | EU INS2 | 2002/87/EY annexes 1 and 2 are not applicable. |
| 438 (h) | EU CR8 | Internal credit risk models are not in use in the credit risk capital requirement calculation. |
| 438 (h) | EU MR2-B | |
| 438 (h) | EU CCR7 | |
| 439 (i) | EU CCR8 | No exposure to CCPs. |
| 439 (j) | EU CCR6 | No credit risk derivatives. |
| 442 (c,f) | EU CR2a | There is no disclosure requirement because the Savings Banks Amalgamation does not fulfil the CRR definition of a large institution. In addition, EU CQ5 immaterial industries are disclosed in the row "Other services". |
| 442 (c ) | EU CQ2 | |
| 442 (c ) | EU CQ6 | |
| 442 (c ) | EU CQ8 | |
| 442 (c,e) | EU CQ4 (column b,d), EU CQ5 (column b,d) | |
| 442 (e ) | EU CQ4 (a,c,e,f,g) | Foreign exposures do not exceed 10%. |
| 445 | EU MR1 | The savings banks amalgamation does not have a trading book which would be subject to a market risk capital requirement. In addition, the amalgamation does not have a capital requirement for foreign exchange risk and commodity risk. |
| 449 | EU CE1-5, EU SECA | No securitised positions. |
| 450 | EU REM3 | No deferred remuneration. |
| 450 | EU REM4 | No remuneration over EUR 1 million per year. |
| 452 | EU CR6-A, EU CRE, EU CR6, EU CR9, EU CR9.1 | The savings banks amalgamation does not have a trading book which would be subject to a market risk capital requirement. |
| 453 | EU CR7-A, EU CR7 | |
| 455 | EU MRB, EU MR-A, EU MR3-IMA, EU MR4 | |
| 437a | EU CCA | Regarding MREL instruments, only debentures are included because other MREL instruments are not in the scope of the disclosure requirements according to CRR (Article 437 and 437a) |
| | All disclosure templates | No zero values on rows are disclosed unless information is assessed to be material. |