SAVINGS BANKS GROUP'S RELEASE OF FINANCIAL STATEMENTS

1 JANUARY–31 DECEMBER 2021

Savings Bank

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SAVINGS BANKS GROUP'S RELEASE OF FINANCIAL STATEMENTS 1.1. – 31.12.2021

REVIEW BY THE MANAGING DIRECTOR OF THE SAVINGS BANKS' UNION COOP

The Savings Banks Group performed very well in 2021 and the result is at a record-high level. Net interest income continued to grow steadily despite low interest rates and net fee and commission income grew particularly quickly in the Savings Banks Group. Naturally, as business grew, operating costs also increased somewhat.

Tomi Närhinen
CEO, Savings Banks' Union Coop

People are perhaps more interested in investing and in the long-term, systematic development of their own financial wellbeing than ever before. This is a very welcome phenomenon. There are many reasons for this interest. People have more funds available and, due to the pandemic restrictions, these funds have been increasingly turned into savings. Of course, concerns about the future and especially about ensuring pension security are often behind this, too. I am sure that long-term saving is a wise choice for all of us.

International stock markets developed well during the year. The debt capital market was slightly more heterogeneous, but very ample liquidity kept investors busy there as well. For debt issuers, the year continued to be favourable precisely because of the high level of liquidity.

One of the themes of the year was the emergence of inflation and its rapid rise as a result of many factors. As economy recovered, the price of oil rebounded from the decline caused by the crisis. In addition, the coronavirus pandemic has greatly disrupted supply chains, caused production shutdowns and reduced production capacity. The above have been seen as sources of inflation, in addition to the ample liquidity of the money markets. As they at least apparently seem temporary, rising inflation has also been assumed to be temporary and the key interest rates in Europe have not yet been raised. However, there is a clear risk that inflation will be a multi-year theme and therefore investments in real estate and shares may be justified despite high valuation levels and the rise in future key interest rates.

The Savings Banks Group offers ideas, answers, tools and support to investors and long-term savers. The key is to look far beyond short-term fluctuations. Therefore, it is advisable to start determined saving on time and to continue it despite the changing of economic cycles. It is much more a question of time than of timing, as they say.

As the popularity of saving and investing grows, savings bank operations are more topical than perhaps ever before.

The Savings Banks Group wants to offer its customers Finland's best combination of digital and face-to-face services. The coronavirus pandemic has accelerated the trends that are changing bank customer behaviour. The majority of documents are already signed digitally, the number of online meetings and their relative share of customer encounters are constantly increasing and customers find the wide availability of services important. The face-to-face and digital services are excellently supported by the Savings Banks Group's telephone service. Therefore, we can proudly say that the Savings Banks Group has the best overall customer service on the market. We will continue to work hard to ensure this is so in the future, too.

The operating preconditions of companies have been twofold. The pandemic situation deteriorated substantially right at the end of the year but, for the most part, last year showed clear recovery from the previous waves of the pandemic. The recovery led to a sharp rise in the world economy and Finland got its share of it, with many companies achieving record-breaking results. However, there is no reason to underestimate the fact that many companies have also suffered severely from the pandemic. SMEs in certain service sectors in particular have been in difficulties and many have even been forced to close down altogether. The Savings Banks Group has actively supported SMEs and further strengthened its position as the leading banking partner for SMEs. Indeed, SME financing and other banking services for SMEs are among the strongest growth areas of the Savings Banks Group.

The year 2022 marks the 200th anniversary of savings bank operations in Finland. As the popularity of saving and investing grows, savings bank operations are more topical than perhaps ever before. We are very optimistic about the future and believe that the responsible, long-term development of financial wellbeing will become an increasingly interesting theme in society. It provides us with a good opportunity to develop savings bank operations over the next 200 years as well.

Tomi Närhinen
CEO, Savings Banks' Union Coop

THE SAVINGS BANKS GROUP AND THE 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.

Eurajoki Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 December 2021. In connection with this, Eurajoki Savings Bank 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.

Further information about the structure of the Savings Banks Group can be found at www.saastopankki.fi/saastopankkiryhma.

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DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

The year 2021 started in an atmosphere of emerging economic optimism. The pandemic had been raging around the world for over nine months, but a vaccine had been developed, creating confidence that the pandemic would gradually abate. Consequently, the global economy recovered quickly in 2021. The OECD, for example, estimates that the global economy grew by 5.6% in 2021, which is the fastest rate of growth in several in decades.

The recovery started first in China, with the pre-pandemic GDP level reached already in 2020. In the United States, the recovery started faster than in Europe due to the quicker progress of vaccinations, and the pre-pandemic GDP level was reached in the second quarter of 2021. The euro zone is expected to have reached the pre-pandemic GDP level in late 2021.

Globally, the economic recovery was very rapid in the spring and summer. The fastest stage of recovery began to slow as the autumn approached, but economic activity was still brisk. There were several new waves of COVID-19 infections during the year but, significantly, their economic impacts were smaller and smaller with each new wave. Societies have learned to live with the virus and the improved vaccination coverage reduced the correlation between the number of infections and cases of serious disease as the year went on.

The quick recovery led to various capacity restrictions in the economy. Due to strong growth in demand, companies have not been able to deliver products in the same manner as before. Delivery times have become longer for many products. There have also been challenges related to the availability of raw materials and logistics chains have suffered from disruptions caused by COVID-19.

Due to these factors and rising energy prices, inflation accelerated rapidly in 2021 and reached levels not seen for a long time. In the USA, inflation rose to nearly 7%. While inflationary pressures in the euro zone have been more moderate, inflation here has also risen to nearly 5%, which is well above the central bank's target. Inflation was initially expected to be temporary, but it now appears that increasing prices are a slightly longer-term phenomenon.

At the beginning of the year, the hope was that the pandemic would abate as vaccination coverage improves. This hope has turned out to be unfounded. Although vaccines provide good protection against serious illness, yet another new wave of infections was seen at the end of the year, pushing the limits of health care capacity in various countries. This forced the authorities to again introduce new restrictions. The restrictions have a particularly severe impact on the service sector industries that have suffered the most during the COVID-19 crisis: tourism, events and restaurants, for example. Nevertheless, the overall economic impact of the restrictions is likely to be fairly limited.

Uncertainty increased further in the latter part of the year with the emergence of Omicron, a new rapidly spreading variant of COVID-19. While its severity is still uncertain, early data indicates that this new variant spreads easily but causes fewer serious cases than the Delta variant, for instance. The total burden on the health care system remains unclear.

INTEREST RATE ENVIRONMENT

Short-term interest rates in the euro area have remained virtually unchanged over the reference period. The increase in long-term euro interest rates, which started at the beginning of the year, came to a halt over the summer and subsequently continued in the second half of the year, levelling off slightly towards the end of 2021. As Euribor rates are the dominant form of interest rate fixation in lending, the low level of these interest rates presented a challenge to the net interest income of banking operations during the review period.

The extensive use of the European Central Bank's TLTRO programme has reduced the debt issuance of banks in the wholesale markets and, consequently, the costs of wholesale funding remained low in terms of credit margins throughout the period under review.

INVESTMENT MARKETS

The investment markets developed favourably during the year in spite of the increased uncertainty. The pandemic, accelerating inflation and expectations of changes in central bank monetary policy were the key themes in the investment markets in 2021. Share prices continued to develop favourably in Europe and the United States. In emerging markets, share price developments were more moderate and investors' risk appetite was reduced by concerns related to the Chinese real estate market in particular. The risk margins of corporate bonds remained stable in Europe during the year, which helped support corporate bond yields. The yields of sovereign bonds were reduced by higher long-term interest rates and expectations of accelerating inflation.

THE FINNISH ECONOMY

Like the global economy, the Finnish economy recovered briskly in 2021. The Savings Banks Group estimates that the Finnish economy grew by 3.5%, which is substantially faster than normal. The rapid growth is attributable to the recovery from the COVID-19 crisis. On the whole, the Finnish economy has performed well during the COVID-19 crisis: the decline in 2020 was not as sharp as in many other countries and the subsequent recovery has been relatively quick. Finnish GDP reached the pre-crisis level in the second quarter of 2021.

The recovery of the economy has been broad-based. The service sector, which has been hit the hardest by COVID-19, has generally recovered fairly well, although production in certain service industries (including the arts, entertainment and recreational services) is still substantially below pre-crisis levels. The manufacturing industry has recovered rapidly and construction activity has been brisk during the COVID-19 crisis.

On the whole, households have coped with the COVID-19 crisis relatively well. The labour market recovered faster than expected in 2021. The employment rate has risen above the pre-crisis level and the unemployment rate has decreased, approaching the pre-crisis level. There are reports of labour shortages and plenty of vacancies in the job market.

The household savings rate has increased during the COVID-19 crisis and households a lot of savings. While private consumption has recovered, it has not resulted in a spending spree. Indeed, it is possible that some households will leave the funds they have accumulated during the COVID-19 crisis in various forms of savings and investments, such as deposits, mutual funds and the stock markets. Funds accumulated by households have also been channelled into the housing market and the housing loan portfolio has grown during the COVID-19 crisis. According to a consumer confidence survey, households' perceptions of their financial situation has improved during the COVID-19 crisis.

THE HOUSING MARKET IN FINLAND

The strong development of the housing market continued in 2021, although it became evident late in the year that the period of highest activity has already passed. To summarise the year 2021, it could be said that housing prices increased more broadly than previously, across Finland, the demand for large dwellings, including single-family houses, has been high, while the demand for rental housing has been weak, especially in the Helsinki Metropolitan Area. Activity in the housing market has been maintained by the need for more space brought about by the increase in remote work, people's desire to improve the quality of their housing, increased savings and low interest rates. There would certainly have been even more housing transactions, but many customers have wanted to find a new home first before starting the sale of their current one. This has had a limiting effect on supply. While supply decreased significantly as early as the autumn of 2020, in November 2021, for example, the number of listings in the Etuovi online housing portal was more than 11 per cent lower than in November of the previous year.

Between January and November 2021, the transaction volume of old dwellings grew by 15% year-on-year and the five-year price change was 18.8% (source: The price monitoring service of the Central Federation of Finnish Real Estate Agencies). During the period in question, the transaction volume of old dwellings in blocks of flats grew by 24%, while the corresponding figure was 12.7% for terraced houses and 12.5% for single-family houses. In old dwellings sold, transaction volumes have grown more in other parts of Finland (16.4%) than in large cities (13.4%). Each region has also seen significant year-on-year growth. Among the regions, the strongest growth has been seen in Kanta-Häme, Central Ostrobothnia and Kymenlaakso.

As demand has exceeded supply in many places, prices have increased substantially. In the Helsinki Metropolitan Area, the prices of old dwellings in blocks of flats increased by 5.8% in 2021 compared to the previous year. The corresponding figure collectively for the major cities outside the Helsinki Metropolitan Area is 4.5% and the figures for Turku, Tampere and Oulu are 8.5%, 6.3% and 1%, respectively. There is also significant deviation in price development within municipalities.

According to the Confederation of Finnish Construction Industries' latest economic review, published in October, housing production rose in 2020 to 40,500 dwellings, contrary to expectations, with activity in the housing market being exceptionally high during the latter part of the year. The transaction volume for new dwellings remained high in 2021. The housing production volume for the year is estimated to be 44,000 dwellings. The number of starts is expected to decrease to 40,000 dwellings in 2022. According to the price monitoring service of the Central Federation of Finnish Real Estate Agencies, real estate agents' transaction volume for newly constructed dwellings increased by 18% compared to the previous year. The majority of construction is concentrated in large cities.

Activity in the market for holiday homes has been high for the past two years. In 2020, the transaction volume in terms of units was approximately 3% higher than in 2021, but the total value of the transactions increased by approximately 6% in 2021. The transaction volume in terms of units has increased by 32% over the past five years, with the properties ranging from inexpensive dry land cottages to high-priced chalets near ski resorts. The transaction volume in terms of units has been curbed by the low supply, which has also created upward pressure on prices. The previous assumption of the trend that younger generations would no longer want to buy secondary residences has proved to be wrong.

The strong development of the housing market continued in 2021, although it became evident late in the year that the period of highest activity has already passed. Activity in the housing market has been maintained by the need for more space brought about by the increase in remote work, people's desire to improve the qualty of their housing, increased savings and low interest rates.

THE SAVINGS BANKS GROUP'S PROFIT AND BALANCE SHEET

SAVINGS BANKS GROUP'S FINANCIAL HIGHLIGHTS

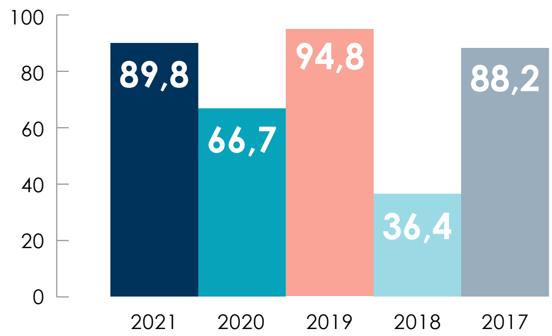
(EUR 1,000)	1-12/2021	1-12/2020	1-12/2019	1-12/2018	1-12/2017
Revenue	356,156	337,938	362,701	278,517	331,366
Net interest income	166,039	160,967	155,619	152,704	142,176
% of revenue	46,6 %	47,6 %	42,9 %	54,8 %	42,9 %
Profit before taxes	89,854	66,740	94,807	36,408	88,210
% of revenue	25,2 %	19,7 %	26,1 %	13,1 %	26,6 %
Total operating revenue	327,566	306,588	321,395	234,670	282,191
Total operating expenses (excluding depreciations)	-236,218	-220,157	-219,145	-197,718	-182,693
Cost to income ratio	72,1 %	71,8 %	68,2 %	84,3 %	64,7 %
Total assets	13,079,096	13,097,063	12,009,105	11,705,740	11,326,105
Total equity	1,190,293	1,155,709	1,118,391	1,028,796	1,017,520
Return on equity %	6,2 %	4,6 %	6,9 %	3,0 %	7,3 %
Return on assets %	0,6 %	0,4 %	0,6 %	0,3 %	0,7 %
Equity/assets ratio %	9,1 %	8,8 %	9,3 %	9,2 %	9,0 %
Solvency ratio %	19,5 %	19,1 %	19,1 %	18,2 %	19,1 %
Impairment losses on loans and other receivables	-1,297	-19,760	-8,379	-3,868	-13,266

PROFIT TRENDS (COMPARISON FIGURES 1–12/2020)

The Savings Banks Group's financial performance in 2021 was very good. The Savings Banks Group's profit before tax increased to EUR 89.9 (66.7) million. Profit for the financial year was EUR 72.8 (52.1) million.

PROFIT BEFORE TAXES 2021

(million euros)



The Savings Banks Group's customer business developed favourably, and there was growth in all types of income from the customer business. Net interest income grew by 3.2 % to EUR 166.0 (161.0) million. Net interest income developed positively during the financial year although the market is still challenging due to low interest rates and margin pressure. Interest income amounted to EUR 183.2 (183.0) million, being at the level of the comparison period. Interest income from customers' loans and receivables accounted for EUR 146.0 (144.8) million. The share of the derivatives used for the management of the interest rate risks of net interest income remained at the level of the comparison period, amounting to EUR 22.2 (22.0) million. The increase in net interest income can be attributed to lower interest expenses in both customer deposits and refinancing. Interest expenses decreased by 22.1 % to EUR 17.2 (22.1) million.

The biggest profit improvement was in net fee and commission income and expenses, which grew by 15.2% to EUR 114.9 (99.7) million. Asset Management Services also saw very strong development, increasing commissions on funds by 31.6% to EUR 40.6 (30.8) million. Commissions on payment transactions grew by 6.8 % to EUR 47.9 million (44.8). Lending commissions increased by 14.7 % to EUR 21.7 (18.9) million.

The net result of investment operations was EUR 17.2 (19.6) million. Most of the decrease in net investment income was unrealised changes in the value of financial assets measured at fair value through profit or loss.

Net life insurance income totalled EUR 18.5 (18.3) million. Premiums written increased from the comparison year, amounting to EUR 115.6 (104.4) million. Claims incurred decreased, amounting to EUR 68.8 (76.5) million.

Other operating revenue was EUR 10.9 (8.0) million.

The operating revenue of the Savings Banks Group increased by 6.8 % to EUR 327.6 (306.6) million.

The Savings Banks Group's operating expenses grew by 7.3% to EUR 236.2 (220.2) million. During 2021, the Savings Bank Group invested in increasing its development expertise and strengthened its sales organisation. The investments increased personnel costs by 10.3%. Personnel expenses amounted to EUR 98.8 (89.5) million. The number of personnel as of 31 December 2021 was 1,419 (1,418). At the end of November, the number of employees in the Savings Bank Group decreased by 34 persons due to Eurajoen Säästöpankki leaving the Group.

Other administrative expenses increased by 7.8 % to EUR 90.6 (84.0) million. ICT- expenses increased by 11.1 % to EUR 54.0 (48.7) million. Other personnel expenses decreased to EUR 4.7 (4.8) million and marketing costs increased by 5.4 % to EUR 6.7 (6.3) million.

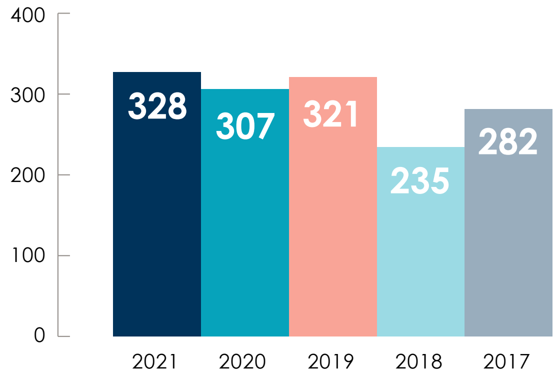
Other operating expenses increased by 9.7 % to EUR 28.5 (26.0) million. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets decreased by 11.0 % to EUR 18.3 (20.6) million.

The Group's cost to income ratio was 72.1 (71.8) %.

A total of EUR 1.3 (19.8) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and they include the change in expected credit losses for loans granted to customers and off-balance sheet commitments and expected credit losses in other financial assets, final credit losses and credit loss recov-

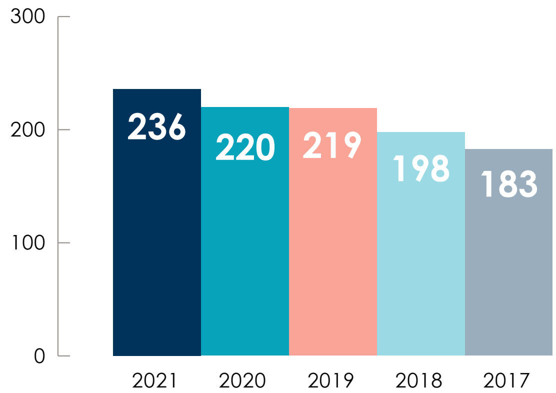
TOTAL OPERATING REVENUE.

(million euros)



TOTAL OPERATING EXPENSES.

(million euros)



eries. The change in expected credit losses recognised in the financial year decreased impairment by EUR 3.5 million, while the change increased impairment by EUR 10.1 million in the comparison period. Of the decrease in expected credit losses, EUR 3.0 million concerned other financial assets (growth of EUR 4.4 million in the comparison period); with the expected credit loss concerning loans and other receivables decreasing by EUR 0.5 million (growth of EUR 5.7 million in the comparison period). The net credit losses realised during the financial year totalled EUR 4.8 (9.7) million, and they concerned loans and other receivables.

The Savings Banks Group's effective income tax rate was 19.0 (21.9) %.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2020)

The balance sheet of the Savings Banks Group totalled EUR 13.1 (13.1) billion at the end of 2021. Eurajoen Säästöpankki left the Savings Bank Group at the end of November, which decreased the balance sheet total by EUR 348 million. The Savings Banks Group's return on assets was 0.6 (0.4) %.

Loans and advances to customers amounted to EUR 9.6 (9.3) billion, up 3.4 % year-on-year. Excluding the impact of the exit of Eurajoki Savings bank, loans and receivables from customers increased by 5.7 per cent. Loans and advances to credit institutions amounted to EUR 129.5 (109.1) million. The Savings Banks Group's investment assets stood at EUR 974.2 (1,159.2) million. Life insurance assets amounted to EUR 1,160.7 (1,022.6) million.

The Savings Banks Group's liabilities to customers totalled EUR 7.7 (7.8) billion, showing a decrease of 1.2 %. Liabilities to credit institutions were EUR 423,7 (389.9) million. Debt securities issued stood at EUR 2.5 (2.6) billion. A covered bond of EUR 500 million was issued in September to replace the covered bond of EUR 500 million that matured in November. Senior unsecured bonds totalling EUR 201.5 million were issued during the financial year. Life insurance liabilities amounted to EUR 1,084.7 (957.2) million.

The Savings Banks Group's equity stood at EUR 1.2 (1.2) billion. The share of non-controlling interests of the Saving Banks Group's equity was EUR 1.4 (1.4) million. The Savings Bank Group companies acquired the minority shares of the Savings Bank Group held by the Savings Bank of Eurajoki Savings Bank through a share purchase carried out on 25 November 2021. The acquisition did not have an effect on the Savings Banks Group's profit. The change in fair value recognised in other comprehensive income was EUR 2.2 (-1.5) million during the financial year. The impact of cash flow hedging on equity was EUR -0.9 (-0.5) million. The Savings Banks Group's return on equity was 6.2 (4.6) %.

The quality of the Savings Banks Group's credit portfolio is good and most credit is secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have especially suffered from the coronavirus pandemic. The expected credit loss allowance on loans and receivables on the balance sheet at the end of the financial year amounted to EUR 42.8 million (31 December 2020: EUR 43.7 million), or 0.44 % (31 December 2020: 0.47 %) of loans and receivables. Non-performing receivables of the Savings Bank Group remained at a reasonable level of 2.0 % (31 December 2020: 2.2 %) of loans and receivables.

The Savings Banks Group's financial performance in 2021 was very good. The Savings Banks Group's profit before tax increased to EUR 89.9 (66.7) million.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARISON FIGURES 31 DECEMBER 2020)

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 receivables 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) %.

The capital requirement of Savings Banks Amalgamation was EUR 661.5 (663.0) million. 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.

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	0,06	11,76

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.

At its meeting on 29 June 2021, the Board of the Financial Supervisory Authority decided to change the maximum lending ratio so that the maximum lending ratio of other than first-home buyers is reduced by 5 percentage points to 85 %. The amendment entered into force on 1 October 2021. In addition, the Financial Supervisory Authority decided not 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.

In Finland, Financial Supervisory Authority Board is responsible for domestic macro prudential decision making. Decisions on the countercyclical capital buffer and on the maximum lending ratio for mortgages are made on a quarterly basis, decisions on the capital buffers of credit institutions of national importance (the so-called O-SII buffers) are made annually and decisions on the systemic risk buffer are made at least every two years.

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

The Financial Supervisory Authority has granted permission to the Central Institution of the 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 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 standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation and capital requirement to the operational risk is calculated by the basic 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.

CAPITAL ADEQUACY'S MAIN ITEMS

Own Funds (EUR 1,000)	**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
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.

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. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(1,000 euros)	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 %

Pillar III note includes the information in accordance with the EU's Capital Requirements Regulation (575/2013) regarding the capital adequacy of the Amalgamation.

RESOLUTION PLAN

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.

RISK POSITION

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation is good, the quality of the credit portfolio is at a good level and most of the loans are secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have especially suffered from the coronavirus pandemic. The non-performing receivables of the Savings Banks Group have remained at a reasonable level despite the coronavirus pandemic and the introduction of a broader definition of default that entered into force on 1 January 2021.

Risk management and internal control of the Savings Banks Group is a part of the internal control framework applied within the Group and the Amalgamation. It is also at the core of the Group's operational activities. It is the responsibility of the Central Institution's Board of Directors to steer the operation of the Amalgamation and, in order to safeguard liquidity and capital adequacy, issue instructions to the member companies on risk management, corporate governance, internal control and compliance with harmonised accounting principles in the preparation of the consolidated financial statements.

The Central Institution approves the principles for the Group's internal control framework. 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 Group.

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

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 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 decisions made is monitored through an approval and verification process, controls and reconciliations together with adequate follow-up reporting.

The Savings Banks Amalgamation has prepared risk strategies and risk limits by risk area. The strategies specific to risk areas are complemented by operational guidelines and instructions issued by the Board of Directors of the Central Institution. The strategies specific to risk areas cover risk identification, measurement and assessment as well as the mitigation, monitoring and reporting of risks.

The Board of Directors of the Central Institution is regularly provided with information on various risks and their levels. The Board of Directors also approves authorisations and frameworks for the desired level of risk-taking by specifying the permitted risk thresholds for different types of risks at the amalgamation level.

The most significant risks affecting the operation of the Group are credit risk, liquidity risk, interest rate risk, operational risk, as well as various business risks.

The Group's risks and risk management are described in more detail in the notes on risk management in the financial statements in Appendix 5.

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation is good, the quality of the credit portfolio is at a good level and most of the loans are secured.

CREDIT RATINGS

On 22 January 2021, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

The Central Bank of Savings Banks Finland Plc is part of the Savings Banks Amalgamation. The role of the Central Bank of Savings Banks is to ensure the liquidity and fund-raising of the Savings Banks Group. The Central Bank of Savings Banks raises funds and operates in the money and capital markets on behalf of the Group, manages settlements and the internal balancing of the Group's liquidity. The Central Bank of Savings Banks also manages the levelling out of the Group's internal liquidity.

SUPERVISORY BOARD, BOARD OF DIRECTORS AND AUDITORS OF THE SAVINGS BANKS' UNION COOP

The Savings Banks' Union Coop General Meeting elects the members of the Supervisory Board and their personal deputies for a term extending until the next ordinary general meeting. The Supervisory Board consists of 9–35 members.

During the year under review, 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.

As of the annual general meeting of Savings Banks' Union Coop in 2021, the following persons have been members of the Board of Directors:

Pirkko Ahonen, chairman
(Aito Säästöpankki Oy)

Jari Oivo, deputy chairman
(Myrskylän Säästöpankki)

Jaakko Ossa
(Liedon Säästöpankki)

Ulf Sjöblom
(Tammisaaren Säästöpankki)

Tuula Heikkinen
(independent of Savings Banks)

Eero Laesterä
(independent of Savings Banks)

Katarina Segerståhl
(independent of Savings Banks)

Heikki Paasonen
(Säästöpankki Optia)

Hannu Syvänen
(Säästöpankki Sinetti) from 11 March 2021

The Board of Directors of Savings Banks' Union Coop constitutes a quorum when five members are present. The Board of Directors of Savings Banks' Union Coop will be elected at the annual general meeting of the Savings Banks' Union Coop cooperative on 11 March 2021.

The Managing Director of the Savings Banks' Union Coop has been Tomi Närhinen since 1 September 2017.

At the annual general meeting of the Savings Banks' Union Coop cooperative on 11 March 2021, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of Savings Banks' Union Coop. The chief auditor designated by the firm is Mikko Kylliäinen, Authorised Public Accountant.

NON-FINANCIAL REPORTING

Financial wellbeing has been an important element of Savings Bank operations ever since the first Finnish Savings Bank was established in 1822. In line with the Savings Bank ideal, the basic mission of Savings Banks was to help the hardworking population of Finland prosper and take better care of its finances, and this has never changed.

Today, the mission of the Savings Banks Group is to responsibly promote the financial wellbeing and prosperity of its customers. We help our customers take care of their finances, prepare for a rainy day, save and prosper.

In our customer service, the emphasis is on expertise, convenience and having a human, personal touch in the way we serve all of our customers – in digital services, in our offices and on the phone. We want to provide our customers with the best combination of in-person and digital services, which is evident in the excellent Savings Bank Experience that we are known for.

The Savings Banks Group comprises 17 Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution, and the subsidiaries and associated companies owned by the Savings Banks. The business area is Finland, where the Group operates in 120 locations. Our business operations are based on low-risk retail banking. In addition, we offer investment, real estate agency and insurance services. Our strategic goal is to grow profitably and sustainably by responding to our customers' needs with a diverse range of services and by increasing the number of long-term customers. Particular growth areas include small-business and entrepreneur customers and Asset Management Services. In our operations, we combine strong customer-drivenness and customer insight with operational efficiency and close cooperation within the Group. The cornerstones of our business are the Savings Banks Group's values – customer-drivenness, cooperation, responsibility and performance.

Responsibility has been an integral part of our operations and culture for nearly 200 years. We want to operate in an ethically sustainable manner observing the principles of good corporate governance, openness and the Savings Banks Group's Code of Conduct. The key management practices are described in the Savings Banks Group's principles for reliable management and internal control. The activities of the Savings Banks Group comply with the provisions of current legislation, orders issued by the authorities, good banking practice regulations and trading instructions approved by Finance Finland, as well as the Savings Banks Group's principles for reliable management and internal control along with other internal guidelines. The personnel's awareness of the key internal guidelines is ensured with obligatory training. Compliance with the guidelines is monitored with different internal control methods.

The reporting on the Savings Banks Group's material responsibility themes is based on the materiality analysis, the purpose of which is to identify the key responsibility aspects of the Savings Banks Group and its stakeholders. The materiality analysis is based on a survey conducted among the personnel and other stakeholders as well as the management's assessment. The Savings Banks Group's three most material sustainability themes for stakeholders were responsibility in services, products and customer work, responsibility in the operating principles and guidelines, and competent and satisfied personnel and corporate culture.

With regard to responsibility, we annually monitor the following indicators, for instance, with regard to the three most material sustainability themes. To monitor customer satisfaction, we use the Net Promoter Score (NPS) for customer negotiations, which was 82.0 (86.1) in 2021. Also in the latest EPSI Rating survey, the Savings Bank rose to the top three, ranked second in corporate customer loyalty and customer satisfaction. We also report on the carbon dioxide intensity of the funds managed by the Savings Banks, which is described in more detail in section "Environmental responsibility". The basic principle guiding our business operations is to operate in a financially sustainable manner. In 2021, our capital ratio was 19.5 (19.1) per cent. We want to be a self-directed work community of highly competent professionals, with capacity for renewal, where we promote wellbeing at work, leadership, diversity and equality. The Savings Banks' Union Coop's Board of Directors has approved the principles of diversity, aimed at ensuring that the Board has, in order to perform its duties, sufficient and versatile competence and experience of the credit institution business and the risks involved. The share of female board members was 33 per cent in 2021 (38 per cent). The gender distribution of personnel is discussed in more detail in section "Personnel and competence"

In our materiality analysis, other material sustainability themes were s sustainable lending, Savings Bank as part of local communities, sustainable investment as well as the Savings Banks Group's direct and indirect impacts on climate change and the impact of climate change on the Savings Banks Group. In addition to these material themes, the basic prerequisites of banking include financial responsibility and good governance, risk management and the customer's data protection and information security. These and the three most material sustainability themes lay the foundation for the Savings Banks Group's sustainability and this foundation must be solid under all circumstances. Our aim is to specify the set of indicators to be monitored with regard to the material themes when the responsibility programme is updated in 2022. The material sustainability themes are discussed in more detail in the Savings Banks Group's sustainability report. In connection with the responsibility roadmap work in 2021, we reviewed our materiality analysis and decided on its next update in 2023.

We publish the Savings Banks Group's sustainability report annually in Finnish and English. The report illustrates how sustainability is reflected in the daily life and actions of everyone at Savings Banks. The Savings Banks Group published its first GRI report on 20 June 2019. With regard to reporting principles, the Savings Banks Group applies the GRI (Global Reporting Initiative) Standards guidelines (GRI-referenced).

PROMOTING SOCIAL WELL-BEING LOCALLY

Savings banks have been an important part of the Finnish society for almost 200 years already, and we still have an important duty. According to our mission, savings banks promote saving and their customers' financial wellbeing close to the customer. Customers need a reliable and close partner for their financial matters to help them create a better everyday life and future. The increased prosperity and welfare of our customers are reflected in the Savings Banks Group and in the entire society. It is important to Savings Banks Group that towns, villages and communities in Finland retain their vitality and positive development trends. From the start, Savings Banks have directed a proportion of their profits to enhancing welfare within their operating areas. Rather than making major one-off donations, Savings Banks prefer to give their support to several good, local projects. In recent years, Savings Banks have called on their customers to help with their mission. For example, customers can propose Finnish recipients for donations for the annual Good Deeds campaign.

The 2021 Good Deeds responsibility campaign saw local Savings Banks and savings bank trusts donate almost EUR **800,000** to more than **500** different charities.

The 2021 Good Deeds responsibility campaign saw local Savings Banks and savings bank trusts donate almost EUR 800,000 to more than 500 different charities. Donations supported, for instance, numerous sports clubs, organisations focusing on the prevention of exclusion, the wellbeing of young people and the elderly, 4H associations, art and culture projects and many animal protection associations.

The Savings Banks Research Foundation granted scholarships to university researchers and study projects totaling EUR 98,500. In addition, savings bank trusts that own Savings Banks structured as limited liability companies have made significant charitable contributions in various parts of the country.

PERSONNEL AND EXPERTISE

The Savings Banks Group adheres to the principles of corporate governance, openness and the Savings Banks Group's ethical rules. Employees have a responsibility to ensure that customers receive information in accordance with good business conduct. Employees must strive to ensure that customers are aware of the consequences of their financial decisions, including the potential risk of losses. Complaints by existing and former customers must be handled without delay and in a fair manner, in compliance with the applicable laws and regulations. Communication to all target groups must be open, truthful and unbiased. Employees must focus on providing clear and transparent information to customers.

During the past financial year, we have supported our personnel in many ways, such as by producing new online learning content. With the Code of Conduct, we ensure the competence of our personnel and that everyone works in accordance with the Code in their daily work. With the "Towards a stronger team spirit" operating model, we will strengthen the functioning of the work community throughout the Savings Banks Group. We want to anticipate and prevent situations where inappropriate conduct or harassment occurs.

Savings Banks Group considers it important for every employee to understand the direction of the organisation's development and be aware of the importance of their own work for the achievement of our objectives. In line with our Group strategy, the Savings Banks Group's aim is to responsibly promote the financial wellbeing and prosperity of people in Finland and, with our expertise, enable our customers to live a better life. In order to boost the implementation of the shared strategy, we organised a joint strategy event for the entire personnel of the Savings Banks Group.

During the financial year, we also conducted the Savings Banks Group's joint personnel survey, "Our Savings Bank", designed on the basis of our Group strategy.

The objective of the personnel survey is to monitor the execution of the strategy and give employees the opportunity to voice their views, which will be used in the development of operations both locally and at the Group level. The response rate of the personnel survey has been high from one year to the next. In 2021, 84.4 per cent of Savings Bank employees took the survey and the average score for the survey as a whole was good at 3.35 on a scale of 1–4. According to the results, Savings Bank employees are eager to recommend the Group as an employer and they are proud to be part of the organisation. The results of 2021 also indicate that among our personnel, customer orientation is more clearly the foundation of our operations and guides our practical work more strongly.

As part of the annual personnel survey, we piloted a Group-level quarterly survey during the financial year: the "As a single team" metric was realised as two separate surveys. The aim of the "As a single team" metric is to measure the execution of our strategic must win battle "Strengthen group management, internal cooperation and coherent culture". In the pilot phase, the purpose of the metric is to open the lines of discussion and thus strengthen our working as a coherent team. Once the discussion has been opened, we will be able to define common measures that promote our joint actions and unity as a coherent team.

Our success in the customer business and the digital transformation requires everyone to continuously maintain and develop their own expertise and work as a coherent team. We also support employee mobility and competence development in the Savings Banks Group by creating various models and practices to support the sharing of expertise. Vacancies for fixed-term positions as well as positions with an indefinite term are always posted in our internal application channels before external recruitment channels are used. The use of job rotation in the Savings Banks Group has given employees the opportunity to work in various projects and substitute positions.

In 2021, Sp-Academy's training offering focused on remote work and online learning, in line with the strong remote work recommendation. We conducted about 200 training sessions and events during the year. This number includes longer training programmes for employees and management, shorter internal remote training activities, brief information sessions and training focused on current issues in various business functions. In addition to developing substance knowledge, we continued to increase our competencies in areas such as change management, supervisory work, corporate customer business and project work.

At the end of 2021, Savings Banks Group had 1,419 (1,418) employees. At the end of November, the number of employees in the Savings Bank Group decreased by 34 persons due to Eurajoen Säästöpankki leaving the Group. Converted into total resources, the average number of employees for the financial year was 1,298 (1,267). Women accounted for 75 % and men for 25 % of all employees, the average age of employees was 42 (42) years.

HUMAN RIGHTS

The Savings Banks Group respects human rights and strives to prevent discrimination in all of the Group's operations. Our own operations do not involve significant direct risks or impacts related to human rights. Therefore, human rights have not become a material sustainability theme and no indicator to be monitored has been set for it. However, there may be human rights impacts related to the supply chain or the activities of investment and financing targets. The social responsibility of target companies is taken into account in our investment activities. In 2021, we monitored how our direct investments comply with international standards and conventions. We monitored compliance on the basis of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Declaration on Fundamental Principles and Rights at Work, for instance.. If we notice a shortcoming, we seek to assess the company's measures and willingness to rectify the underlying factors. We exclude from our direct investment companies that repeatedly violate international human rights, labor and environmental agreements and good governance practices (the so-called Global Compact), and that do not actively demonstrate that they are remedying the grievance.

ENVIRONMENTAL RESPONSIBILITY

The promotion of environmental responsibility is part of the day-to-day operations of the Savings Banks Group. Due to the nature of the business, the direct environmental impacts and risks of the Savings Bank's own operations are relatively small. We encourage our employees to use public transport, replace business trips and meetings with telephone and video conferences, and we prioritise eco-friendly alternatives in purchasing. The investments made by Sp-Fund Management Company and Savings Bank's corporate finance can create indirect environmental impacts.

The Savings Banks Group takes sustainability risks into account as part of investment decisions and ad-vice. Climate change related risks and possibilities or environmental regulation may also have significant economic impacts, particularly in certain industries or with regard to geographic location. Sp-Fund Management Company aims to evaluate the impacts of sustainable development and climate change on investment targets. Towards the end of the year, Sp-Fund Management Company Ltd updated the climate scenario analyses and stress tests of the equity and interest funds it manages. Sp-Fund Management Company Ltd has also excluded coal users and producers from the direct investments of the funds.

We report on climate risks in line with the Task Force on Climate-related Financial Disclosures framework as part of the Savings Banks Group's sustainability report. We also report on the carbon footprints and risks of the funds as part of our asset management's responsible investment review and use the carbon dioxide intensity figure recommended by the TCFD as the indicator to be reported. In the review, the average carbon dioxide intensity of the funds managed by the Savings Banks Group's asset management was 117.3 t CO_2e/USD million in 2021. We continuously develop the reporting and monitoring of the environmental aspects of investments, including the carbon footprint and carbon risk. In the future, we will try to develop the analysis in terms of assessing the carbon footprint of our own operations and lending.

Particularly through responsible investment, Sp-Fund Management Company Ltd has a significant opportunity to promote eco-efficiency with its investment decisions. For example, The Säästöpankki Ympäristö special investment fund invests in companies and funds that promote the environmental features. Our investment activities take ESG (environmental, social, governance) issues into consideration, which includes an assessment of environmental impacts. In 2021, we acquired new ESG tools at Sp-Fund Management Company Ltd, updated the third-party responsibility assessment and prepared an ESG action plan for the coming years. We also prepared for the evolving obligations related to the EU's sustainable financing regulation.

FINANCIAL RESPONSIBILITY

Financial accountability refers to good profitability, capital adequacy and liquidity, good governance and responsible leadership. It is important to us that our customers and partners can rely on our judgment and sense of responsibility in all circumstances. Savings Banks bear responsibility for promoting the local community's financial wellbeing.

To maintain financial responsibility, the Savings Banks Group's entities have to ensure their capital adequacy and liquidity even in poor economic conditions. Savings Banks take responsibility for promoting financial welfare among the local population.

Savings Banks only provide their customers with loans and credit that they can manage without straining their finances.

Savings Banks Group also takes a responsible attitude towards the Finnish economy. Savings Banks pay all of their taxes directly to Finland. They do not participate in controversial tax planning practices. In 2021, we paid EUR 17.0 million in income taxes. Savings Banks Group employs financial and service industry professionals around the country. Through its presence on the various committees of Finance Finland, the Savings Banks Group contributes actively to the development of the Finnish banking sector.

ANTI-CORRUPTION AND BRIBERY

The Savings Banks Group's Code of Conduct is aimed at ensuring that the Savings Banks Group operates responsibly, ethically and in compliance with laws and regulations. All employees are required to be familiar with the Code of Conduct and follow these principles.

The Code of Conduct is supplemented by policies concerning conflicts of interest and the reporting of infringements. All Savings Banks Group employees are required to complete the online Code of Conduct training annually. So far, no sustainability indicators to be monitored have been set for this mandatory training. Our aim is to specify the set of indicators to be monitored with regard to the material sustainability themes in 2022.

The Savings Banks Group does not condone corruption in any form, neither in business activities nor in business partnerships. The entities belonging to the Savings Banks Group do not condone the giving or receiving of gift, hospitality or service that could be interpreted as bribes or attempts to influence business decisions. All employees are required to exercise very careful discretion in receiving gifts from or giving gifts to customers, partners or other people they interact with in their work.

CUSTOMER DUE DILIGENCE AND PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

The principles for risk management related to money laundering and terrorist financing describe the general principles, procedures and key risk management processes used by the Savings Banks Group in identifying, assessing, controlling and limiting risks.

We follow customer due diligence procedures on a risk-based basis throughout the customer relationship. We monitor customer relationships and the use of services by customers to ensure that each customer's activities correspond to the experience and information the bank has about the customer relationship. Our aim is to manage the risks associated with customer relationships and detect abnormal behaviour, as well as to prevent abuse and criminal activity. In 2021, a new AML monitoring tool was introduced with scenarios for continuous monitoring. Suspicious transactions are reported to the Financial Intelligence Unit in compliance with the legal requirements.

All employees in the Savings Banks Group are required to complete a mandatory annual online training programme on customer due diligence and the prevention of money laundering and terrorist financing. We monitor the completion of this training. So far, no sustainability indicators to be monitored have been set for the mandatory AML training. Our aim is to specify the set of indicators to be monitored with regard to the material sustainability themes in 2022.

RISK MANAGEMENT

The risk monitoring and compliance function also monitors non-financial risks as part of the monitoring of operational and compliance risks. The compliance function is responsible for monitoring regulatory compliance. The realisation of non-financial risks can also compromise the Savings Banks Group's reputation and result in potential damage to customer relationships and other stakeholder relations. Assessment of non-financial risks is addressed in the regular risk assessments conducted as part of business operations. Potential operational risks and compliance risks are also taken into account in the development of new products and services. The management of non-financial risks is part of day-to-day operations and employees are regularly provided with training and instructions on risk management of own work. The material risk areas are credit and counterparty risk as well as market, interest rate and liquidity risk. Business risks and operational risks are also key risks and apply to all operations. The above-mentioned risks and their management are described in more detail in the Savings Banks Group's IFRS financial statements. Climate risks and their management in asset management are discussed in more detail in the Savings Banks Group's sustainability report section related to the Task Force on Climate-related Financial Disclosures.

INFORMATION SECURITY

Information security and the provision of secure services to customers are the foundation for successful banking. The year 2021 was an exceptional year in terms of information security as customers of Finnish banks were extensively subject to phishing and cheating attempts related to online banking credentials. It is possible that the situation will continue to be similar in the coming years, too.

The Savings Banks Group has developed the security of its services and IT systems on a long-term basis. Different cyber threats and changes in the activities of cybercriminals require that security in its various forms is one of the focus areas in our operational development in the future as well. In addition, the changing operational environment requires increasing investment in guiding, supporting and educating customers in the safe use of digital services. During 2021, we have carried out this work independently as well as been involved in the joint campaign of the financial sector, the Finnish Transport and Communications Agency Traficom's National Cyber Security Centre, the Consumers' Union of Finland, the police, the Digital and Population Data Services Agency, Kela and Microsoft, which aimed at increasing people's awareness of information security threats and how to prepare for them.

FIRST EU TAXONOMY REPORTING OBLIGATIONS

The EU taxonomy is a sustainable financing classification system for environmentally sustainable economic activities. Its aim is to provide companies, investors and political decision-makers with uniform definitions and help and direct financing in a sustainable manner. Taxonomy-eligible activities must promote to at least one of the six sustainability objectives that are related to climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control as well as the protection and restoration of biodiversity and ecosystems. In addition, the activity must not cause any significant harm to the achievement of other objectives in line with the DNSH (Do No Significant Harm) principle. Furthermore, the key responsibility principles of the UN, the ILO and the OECD must be adhered to.

The purpose of taxonomy reporting is to explain how and to what extent our activities are related to environmentally sustainable economic activities as defined by the EU taxonomy. The most important result indicator for credit institutions is the green asset ratio (GAR), which shows the ratio of green assets, defined according to the taxonomy, in relation to all assets.

For 2021, we follow lighter reporting with regard to Article 8 of the taxonomy in accordance with regulation and its schedules and report the ratio of taxonomy-eligible assets in relation to all assets. The Savings Bank Group's taxonomy-eligible assets accounted for 11.3 per cent of total assets and non-eligible assets 88,7 per cent. Reporting will evolve and expand in the coming years in accordance with the schedule set out in regulation.

We have used NACE codes according to the taxonomy to determine the share of green assets. For the time being, this determination is based on loan data retrieved from the Savings Banks Group's systems as data subject to customers' reporting obligations will only be available from 2023 onwards The ratio comprises the main lending and investment activities, including loans, advances, debt instruments and equity holdings. The ratio does not include receivables from countries and the central bank. Derivatives are not included in the numerator of the indicator, nor are exposures related to companies to which non-financial information does not apply.

The Group's proportion of exposures vis-à-vis the Central Banks (the Bank of Finland) were 8.3%, vis-à-vis governments 1.5% and vis-à-vis transnational issuers 0% of the total assets. The Central Bank exposures consisted of a checking account and minimum reserve deposits. The government exposures resulted from the Group's investments and do not include public sector operators. Derivatives accounted for 0.3% of the assets. The share of assets related to companies not covered by the NFRD was 14.6% and does not include credit lines.

As sources of information, we have used the financial statements of the Savings Banks Group, our data warehouse and the analysis of the external service provider Upright Oy for the Group's own investments. In the future, we aim to develop data collection and calculation and to assess the nature and development of the classification-compliant financial activities over time. In the future, we will try to report these for the next financial years within the schedule and scope required by regulation.

We consider compliance with the taxonomy to be positive. However, so far no objectives have been set for Taxonomy Regulation-compliant financing and investing activities in the Savings Banks Group's business strategy. In the future, we aim to take taxonomy compliance into account through the development of responsible products, support customers and counterparties in achieving green goals and develop annual monitoring. We also actively influence the companies that our funds at Sp-Fund Management Company Ltd invest in.

Taxonomy reporting also requires taxonomy-compliant reporting for the trading book. As a rule, Savings Banks' banking operations do not include trading on own behalf or customer trading (so-called "trading" operations). Savings Banks do not have a small trading book.

The importance of taxonomy reporting will grow in the future as reporting increases. Our goal is to support smaller customer companies in developing taxonomy-compliant reporting, even if the reporting obligation does not apply to them. In the future, we will also specify our own responsibility objectives in the Savings Banks Group as the responsibility programme is developed.

OPERATIONS AND PROFIT BY BUSINESS SEGMENT

BANKING SERVICES

Customer satisfaction and customer experience among the Savings Banks' private customers remained strong during the financial year. The average Net Promoter Score (NPS) of the Savings Banks' customer negotiations was 82.0 for the year. The transition of customer encouters to remote channels and online meetings increased further during the financial year. Furthermore, the use of the digital signing of agreements became an established practice and the primary document signing method in the Savings Banks' private customer business. The increase in the use of digital services supports the transformation of the Savings Banks Group, to achieve the goal of providing customers with the best combination of in-person and digital services. During the financial year, the structure of the Savings Banks' private custom-er base developed favorably and the number of private customers using Savings Banks' services extensively and concentrating their banking in Savings Banks increased in line with the strategic goals. The Sav-ings Banks' loan portfolio of private customers grew in line with the general development of the market.

Customer satisfaction and customer experience among the Savings Banks' corporate customers remained very strong during the financial year. Among corporate customers, the Net Promoter Score (NPS) for Sav-ings Banks' customer negotiations was 84.8 for the year. In the 2021 EPSI bank survey, the Savings Bank was still at an excellent level in both customer loyalty and customer satisfaction among corporate customer segments. The use of digital signing in the agreements signed with Savings Banks' corporate customers increased significantly during the year. The number of corporate and forestry and agriculture customers using Savings Banks' services extensively grew significantly during the year, contributing to the implementation of the Savings Banks Group's strategic goals. This growth was partly supported by the guaranteed schemes of the European Investment Fund, introduced during the year, as well as by strong sales activity, thanks to which the Savings Banks Group's corporate financing grew clearly faster than the market, by more than 10 %.

THE SAVINGS BANKS GROUP'S MORTGAGE- AND CENTRAL BANK OPERATIONS

The objective of the Savings Banks Group's Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the implementation of the strategy of the Savings Banks Group through its own operations. Sp Mortgage Bank is responsible for the residential mortgage loan funding of the Savings Banks Group by issuing covered bonds. The Savings Banks Group's mortgage banking operations progressed according to plan during the financial year and the credit port-folio grew to EUR 2,246 million (EUR 2,145 million) by the end of the year.

The Central Bank of Savings Banks Finland Plc is a bank owned by Finnish savings banks with main purpose of providing savings banks and the Savings Banks Group with various central credit institution ser-vices. In 2021, the focus of the business operations of the Central Bank of Savings Banks was on high-quality services and their continued development. During the financial year, the Central Bank of Savings Banks started granting unsecured consumer credit to the private customers of Savings Banks. On 22 January 2021, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

FINANCIAL PERFORMANCE (COMPARATIVE FIGURES 1–12/2020)

Profit before tax of Banking operations stood at EUR 49.6 (35.4) million. Net interest income was EUR 166.4 (161.2) million, an increase of 3.3 % year-on-year. Net fee and commission income totalled EUR 74.8 (68.7) million, an increase of 8.9 %. Net investment income decreased to EUR 17.2 (19.6) million. Other operating revenue was EUR 9.2 (8.1) million.

Impairments of financial assets decreased to EUR -1.3 (-19.8) million, mainly due to the improved eco-nomic situation. Impairments of loans and receivables amounted to EUR –4.3 (-15.4) million, of which expected credit losses accounted for EUR 0.5 (-8.7) million. Impairments of investment assets totalled EUR 3.0 (-4.4) million.

Personnel expenses increased to EUR 64.7 (61.4) million. The number of personnel in the Banking opera-tions segment was 974 (1,000) at the end of the financial year. At the end of November, the number of employees in Banking segment decreased by 34 persons due to Eurajoen Säästöpankki leaving the Group. Other operating expenses and depreciation grew by 7.9 % to EUR 152.0 (140.9) million.

The balance sheet for Banking operations totalled EUR 11.9 (31.12.2020: 12.3) billion, representing decrease of 3.4 %. Loans and advances to customers increased by 3.4 % to EUR 9.6 (31.12.2020: 9.3) billion. Deposits received from customers was EUR 7.7 (31.12:2020: 7.8) billion.

ASSET MANAGEMENT SERVICES

The development of Asset Management Services during the financial year was excellent. With the support of central banks, the development of investment markets and the global economy continued to improve steadily despite the prolonged uncertainty caused by the coronavirus pandemic. Customer demand for Asset Management Services was strong. The Savings Banks Group's long-term focus on an excellent customer experience and high-quality customer service could be seen both in good sales and in the fact that fund unit redemptions and life insurance product life insurance products surrenders remained at a moderate level throughout the year. Savings Banks developed their services in all service channels, with the main emphasis on mobile services. The operations of Sb Life Insurance Ltd and Sp-Fund Management Company Ltd were undisrupted throughout the year and the customer experience remained good.

Net subscriptions to investment funds managed by Sp-Fund Management Company Ltd increased clearly from the comparison year. Its market share among Finnish fund management companies increased by 0.1 percentage points to 2.8 per cent at the end of the year.

The number of new continuous fund saving agreements signed increased by 9.1 per cent year on year. 58 per cent of fund subscriptions and 16 per cent of continuous fund saving agreements were made electronically.

Fund capital managed by Sp-Fund Management Company Ltd grew by 26.0 per cent year-on-year and totalled EUR 4.5 (3.6) billion on 31 December 2021. Net subscriptions to Savings Bank funds totalled EUR 0.4 (0.1) million. The number of fund unit holders grew by 8.7 per cent from the previous year. The funds had a total of 277,667 (255,501) unit holders on 31 December 2021. In terms of the number of unit holders, Sp-Fund Management Company Ltd is the fourth largest fund management company in Finland.

At the end of the financial year, Sp-Fund Management Company Ltd managed 32 investment funds, the largest of which was the Savings Bank Interest Plus investment fund with capital of EUR 0.8 billion. With 38,027 unit holders, the investment fund was also the largest in terms of the number of unit holders. The Säästöpankki Ryhti investment fund accumulated the largest amount of new capital, with EUR 91.0 million in net subscriptions.

Sales of endowment insurance improved from the comparison period. Premium income from unit linked insurance remained stable throughout the year and net sales clearly strengthened. Premium income from endowment insurance increased by 10.6 per cent from the comparison period. Unit-linked insurance savings were EUR 989.7 (31.12.2020: 856.6) million.

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1—12/2020)

Profit before tax for the Asset Management Services stood at EUR 40.0 (30.9) million. Life insurance premium income amounted to EUR 115.6 (104.4) million. Claims incurred totalled EUR 68.8 (76.5) million.

Net fee and commission income was EUR 40.2 (30.8) million. The amount of net fee and commission income rose due to increased customer assets and managed fund capital.

Operating expenses remained on par with the previous year, amounting to EUR 18.5 (17.8) million. Personnel expenses was EUR 7.6 (7.8) million. Total other operating expenses and depreciation amounting to EUR 10.9 (10.0) million. The number personnel in the segment at the end of the financial year was 77 (81).

OTHER FUNCTIONS

Other functions include Savings Banks' Union Coop, Sp-Koti Ltd, Savings Banks Services Ltd and other companies consolidated within the Savings Banks Group. Other functions do not form a reportable segment.

The franchising company Sp-Koti Ltd, focusing on real estate agency business, grew faster than the housing market, while the turnover grew by almost 20% and the trades grew by almost 21%. In the housing market, the number of transactions carried out by real estate agents grew by approximately 13%. Sp-Koti included 35 companies and one unit owned by the Group itself at the end of the year. With regard to offices and sold apartments, the chain is the third largest real estate agency business in Finland. The rev-enue of the parent company Sp-Koti Oy increased by nearly 27% and the operating profit by nearly 136%.

MATERIAL EVENTS AFTER THE CLOSING DATE

The Savings Banks Group and Cognizant announced on 1 February 2022 that they will terminate their agreement related to the core banking system renewal signed in 2019. Cognizant will pay compensation to the Savings Banks Group for the termination of the agreement. The termination of the agreement will have a positive impact on the Savings Banks Group's operating profit for 2022. The Savings Bank Group is determined to continue the development of the core banking system. The termination of the agreement does not affect the services of the Savings Bank Group's customers.

On 4 February 2022, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

OUTLOOK FOR 2022

OUTLOOK FOR THE OPERATIONAL ENVIRONMENT

Global economic recovery is expected to continue in 2022, although the fastest recovery was already seen in 2021. The OECD expects the world economy to grow by 4.5% in 2022 and 3.2% in 2023.

The pandemic will continue to be one of the biggest uncertainties in 2022. It appears that the coronavirus will continue to circulate on Earth for a long time. However, people have learned to live with the virus and vaccinations provide protection, even though it is not perfect. Thus, the impact of the coronavirus on economic activity remains limited. The threat of new variants continues to exist and the situation may change rapidly.

During the COVID-19 crisis crisis, both governments and central banks have vigorously stimulated the economy. These support measures are gradually being reduced, and the Federal Reserve, for example, has already indicated reductions in the securities purchase programme and interest rate increases in 2022. The abandonment of support measures is in fact one of the themes and risks of 2022. While monetary policy is being tightened, interest rates remain low, especially in the euro zone.

Inflation will also remain in the markets' focus in 2022. At the early stages of inflation in 2021, it was expected to be temporary. It now appears that increasing prices are a slightly longer-term phenomenon and high inflation rates will probably be seen in 2022. Consensus forecasts, however, argue for a gradual un-winding of inflation.

Finland's economic recovery will also continue, but at a slower pace than in 2021. The Savings Banks Group estimates that the Finnish economy will grow by 2.6% in 2022. After this, the growth will gradually calm down towards the longer-term potential level, which for Finland means growth of around 1.5%.

The operational environment of companies looks good in 2022. Strong industrial order books will sustain activity and the recovery of the global economy will support the export sector. The diverse challenges of supply chains are expected to gradually ease in 2022. Housing construction will calm down slightly from last year, but the level will still remain good. The recovery in the service sector will also continue, although the disease situation and possible restrictive measures will affect the outlook for the restaurant, event and tourism sectors, for example. If the disease situation eases clearly during the year, high activity can be seen in these sectors as pent-up demand is unleashed.

The year 2022 also looks quite stable from the point of view of households. Unemployment will continue to decrease, and wage developments are expected to sustain purchasing power in spite of higher inflation. The savings accumulated by households during the COVID-19 crisis allow for a rapid increase in consumption, although it appears that a significant part of the accumulated funds will be put to savings. As 2022 begins, consumer confidence has fallen below the long-term average, reflecting an increase in consumer caution.

BUSINESS OUTLOOK

The persistence of pandemic and low level of market interest rates will continue to pose challenges to financial performance in 2022. However, these will not jeopardise the performance or capital adequacy of the Savings Banks Group. The Savings Banks Group is solvent and the Group's business is relatively low in risk.

In 2022, the Savings Banks Group's business focus will again be on improving the competitiveness of the Group and implementing a customer-oriented strategy. Savings Banks are well placed to achieve this. In 2022, the Group aims to acquire more customers who will focus their banking services on a Savings Bank.

FURTHER INFORMATION:

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Releases and other corporate information are available on the Savings Banks Group's website at www.saastopankki.fi/saastopankkiryhma

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FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS:

Revenue:	Interest income, fee income, net investment income, net life insurance income, other operating revenue
Total operating revenue:	Net interest income, net fee and commission income, net investment income, net life insurance income, other operating revenue
Total operating expenses:	Personnel expenses, other operating expenses, depreciation and impairment charges on tangible and intangible assets
Cost to income ratio:	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %:	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} * 100$
Return on assets %:	$\frac{\text{Profit}}{\text{Total assets (average)}} * 100$
Equity/assets ratio %:	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} * 100$

ALTERNATIVE PERFORMANCE MEASURES

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2016. An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the IFRS framework. Alternative Performance Measures are used to reflect financial development and enhance comparability between different reporting periods.

Savings Bank Group is not using any alternative performance measures that are not directly calculated using the information presented in the Half-year Report, nor have any changes occurred in the financial highlights.

RELEASE OF FINANCIAL STATEMENTS

SAVINGS BANKS GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1-12/2021	1-12/2020
Interest income		183,237	183,038
Interest expense		-17,199	-22,071
Net interest income	4	166,039	160,967
Net fee and commission income	5	114,882	99,742
Net investment income	6	17,223	19,569
Net life insurance income	7	18,511	18,335
Other operating revenue		10,912	7,974
Total operating revenue		327,566	306,588
Personnel expenses		-98,750	-89,510
Other operating expenses		-119,127	-110,046
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-18,340	-20,601
Total operating expenses		-236,218	-220,157
Net impairment loss on financial assets	8	-1,297	-19,760
Associate's share of profits		-198	70
Profit before tax		89,854	66,740
Income tax expense		-17,091	-14,648
Profit		72,762	52,092
Profit attributable to:			
Equity holders of the Group		72,781	51,280
Non-controlling interests		-19	812
Total		72,762	52,092

SAVINGS BANKS GROUP'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Profit	72,762	52,092
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-953	-724
Capital gain of financial assets at fair value through other comprehensive income	2,486	
Total	1,533	-724
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences		
Changes in fair value reserve		
Fair value measurements	1,804	1,168
Cash flow hedges	-1,074	-564
Deferred taxes on fair value measurement	640	-2 599
Total	1,370	-1,994
Total comprehensive income	75,665	49,375
Attributable to:		
Equity holders of the Group	75,684	48,387
Non-controlling interests	-19	988
Total	75,665	49,375

SAVINGS BANKS GROUP'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents		1,017,904	1,183,519
Loans and advances to credit institutions	10	129,484	109,060
Loans and advances to customers	10	9,602,782	9,283,660
Derivatives	11	33,693	76,438
Investment assets	12	974,226	1,159,201
Life insurance assets	13	1,160,683	1,022,561
Investments in associates and joint ventures		102	300
Property, plant and equipment		46,222	52,151
Intangible assets		35,323	38,709
Tax assets		10,556	10,792
Other assets		68,120	160,670
Total assets		13,079,096	13,097,063
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		13,706	
Liabilities to credit institutions	14	423,705	389,879
Liabilities to customers	14	7,682,351	7,778,931
Derivatives	11	15,511	570
Debt securities issued	15	2,500,165	2,626,632
Life insurance liabilities	16	1,084,728	957,174
Subordinated liabilities		13,427	29,220
Tax liabilities		65,760	73,933
Provisions and other liabilities		89,450	85,015
Total liabilities		11,888,804	11,941,354
Equity			
Basic capital		25,235	25,236
Primary capital		32,452	32,452
Reserves		266,350	270,056
Retained earnings		864,871	826,526
Total equity attributable to equity holders of the Group		1,188,908	1,154,271
Non-controlling interests		1,384	1,438
Total equity		1,190,293	1,155,709
Total liabilities and equity		13,079,096	13,097,063

SAVINGS BANKS GROUP'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1-12/2021	1-12/2020
Cash flows from operating activities		
Profit	72,762	52,092
Adjustments for items without cash flow effect	66,419	55,622
Income taxes paid	-16,933	-10,091
Cash flows from operating activities before changes in assets and liabilities	122,248	97,623
Increase (-) or decrease (+) in operating assets	-372,347	-514,673
Financial assets at fair value through profit or loss	258,995	-10,706
Loans and advances to credit institutions	-13,104	-43,023
Loans and advances to customers	-591,605	30,230
Investment assets, at fair value through other comprehensive income	-26,748	-3,895
Investment assets, at amortized cost	-59,131	-376,343
Life insurance assets	-35,963	-1,570
Other assets	95,208	-109,367
Increase (-) or decrease (+) in operating liabilities	174,215	962,640
Liabilities to credit institutions	106,353	125,471
Liabilities to customers	147,441	967,275
Debt securities issued	-96,522	-134,820
Life insurance liabilities	463	-776
Other liabilities	16,480	5,490
Total cash flows from operating activities	-75,883	545,591
Cash flows from investing activities		
Other investments	-9,056	
Investments in investment property and in property, plant and equipment and intangible assets	-13,961	-18,189
Disposals of investment property and property, plant and equipment and intangible assets	3,555	1,993
Total cash flows from investing activities	-19,462	-16,196
Cash flows from financing activities		
Increase in subordinated liabilities	6,764	2,710
Decrease in subordinated liabilities	-22,557	-24,594
Increase in basic capital	1,393	
Distribution of profits	-2,070	-1,704
Other monetary decreases in equity items	-944	-10,278
Exit from the Savings bank group*	-43,391	
Other		-3,870
Total cash flows from financing activities	-60,805	-37,736
Change in cash and cash equivalents	-156,150	491,659
Cash and cash equivalents at the beginning of the period	1,213,609	721,950
Cash and cash equivalents at the end of the period	1,057,459	1,213,609

Cash and cash equivalents comprise the following items:		
Cash	1 017 904	1 183 519
Receivables from central banks repayable on demand	39 555	30 090
Total cash and cash equivalents	1 057 459	1 213 609
Adjustments for items without cash flow effect		
Impairment losses on financial assets	1 306	19 760
Changes in fair value	-11 012	-16 689
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	21 774	24 609
Effect of associates on profit	198	-70
Adjustments for life insurance operations	33 828	5 433
Other adjustements	916	7 433
Gain or loss on sale of investment property and property, plant and equipment and intangible assets	2 317	497
Income taxes	17 091	14 648
Total Adjustments for items without cash flow effect	66 419	55 622
Interest paid		
Dividends received	187 115	190 723
Interest paid	24 302	31 783
Dividends received	2 988	4 255

* Eurajoen Säästöpankki left the Savings Banks Group on 1 December 2021. Further information in Appendix 1 Description of the Savings Banks Group and the scope of the financial statements.

SAVINGS BANKS GROUP'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Basic capital	Primary capital	Share premium	Fair value reserve	Reserve for hedging instru-ments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2020	20,339	34,452	60,354	14,133	2,252	70,216	85,953	267,359	802,114	1,089,812	28,579	1,118,391
Comprehensive income												
Profit									51,280	51,280	1,136	52,416
Other comprehensive income				3,729	-451			3,278	-724	2,554	-148	2,405
Total comprehensive income				3,729	-451			3,278	50,557	53,834	988	54,822
Transactions with owners												
Distribution of profits									-1,702	-1,702	-99	-1,801
Tranfers between items	4,897		27,651			-17,249	-11,829	3,470	-3,168	302		302
Other changes		-2,000	39,667			-4,380	12	33,298	-48,004	-14,706		-14,705
Changes that did not result in loss of control									26,730	26,730	-28,030	-1,300
Total equity 31 December 2020	25,236	32,452	127,672	17,862	1,801	48,586	74,136	307,406	826,526	1,127,540	1,438	1,155,709
Equity 1 January 2021	25,236	32,452	127,672	17,862	1,801	48,586	74,136	307,406	826,526	1,127,540	1,438	1,155,709
Comprehensive income												
Profit									72,781	72,781	-19	72,762
Other comprehensive income				-814	-859			-1,674	4,576	2,902		2,902
Total comprehensive income				-814	-859			-1,674	77,357	75,683	-19	75,665
Transactions with owners												
Distribution of profits									-2,233	-2,233		-2,233
Tranfers between items						118		118	-2,905	-2,787		-2,787
Other changes			-776				339	-437		-437	-35	-472
Changes that did not result in loss of control									-723	-723		-723
Changes in the structure of the Savings Bank Group												
Exit from the Savings bank group*	-1			121		-1,683	-152	-1,714	-33,151	-34,866		-34,866
Total equity 31 December 2021	25,235	32,452	126,896	17,169	942	47,022	74,323	303,700	864,871	1,162,178	1,384	1,190,293

* Eurajoen Säästöpankki left the Savings Banks Group on 1 December 2021. Further information in Appendix 1 Description of the Savings Banks Group and the scope of the financial statements.

BASIS OF PREPARATION

NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SCOPE OF THE FINANCIAL STATEMENTS

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

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The 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 as well as the companies within the consolidation groups of the above-mentioned entities and Sp-Fund Management Company Ltd.

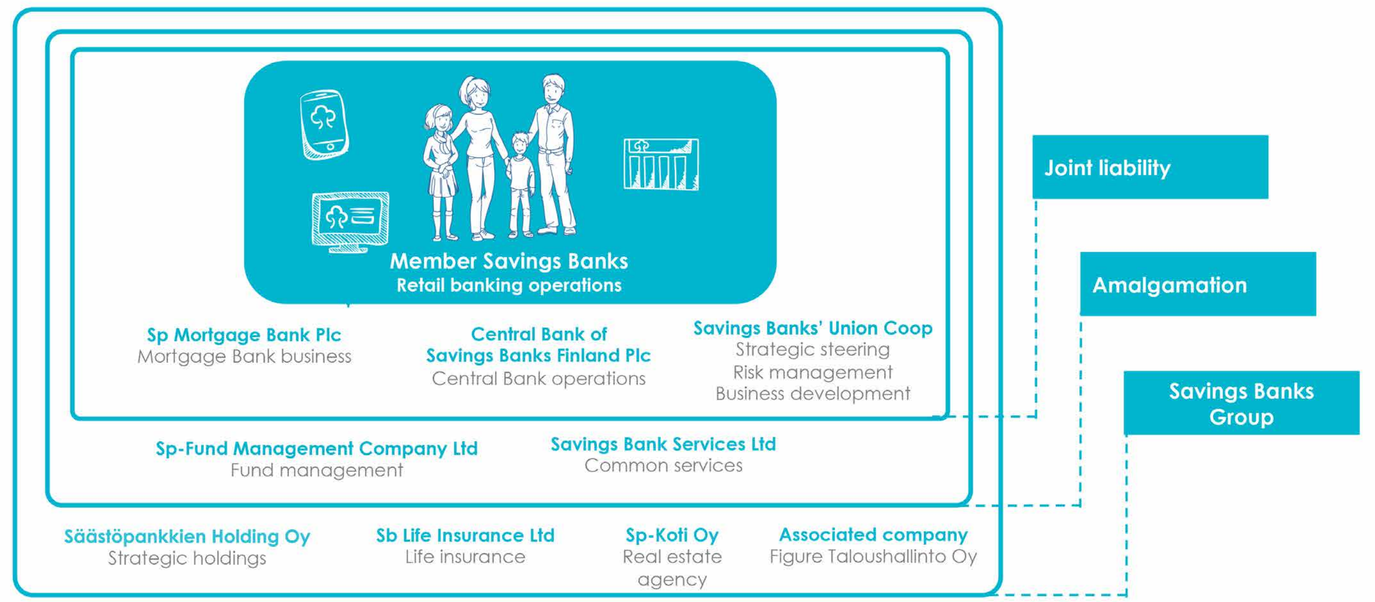
The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings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

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

Eurajoki Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 December 2021. In connection with this, Eurajoki Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 1 December 2021. According to the accounting principles confirmed by the Board of Directors of Savings Banks' Union Coop, Eurajoki Savings Bank's result for 2021 is included in the Savings Bank Group's result until the date of the demerger. 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.

The structure of the Amalgamation and the Group are described in the chart below:



Savings Banks' Union Coop steers the operations of the Savings Banks Group and is responsible for the internal control framework. According to the Amalgamation Act Savings Banks' Union Coop acting as the Central Institution of the Amalgamation is obliged to prepare consolidated financial statements for the Savings Banks Group. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The companies consolidated into the financial statements are listed in the note 42. The financial statements are prepared for the financial group formed by the Savings Banks Group. The financial statements are prepared for the financial group formed by the Savings Banks Group. All figures presented hereafter are Savings Banks Group's figures unless otherwise stated.

Savings Banks' Union Coop's registered office is in Helsinki and its registered address is Teollisuuskatu 33, FI-00510 Helsinki.

The Savings Banks Group's financial statements and half-year report are available at www.saastopankki.fi/saastopankkiryhma or at the premises of Savings Banks' Union Coop, address Teollisuuskatu 33, FI-00510 Helsinki.

The Board of directors of Savings Banks' Union Coop has in their meeting 14 February 2022 approved the Savings Banks Group's consolidated financial statements for the financial year ending 31 December 2021. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks' Union Coop in the meeting scheduled for 10 March 2022.

NOTE 2: ACCOUNTING POLICIES

GENERAL

The consolidated financial statements of the Savings Banks' Group are prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union.

The release of financial statements of 1.1.-31.12.2021 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the release of financial statements are essentially the same as in the financial statement of 2020. The financial statement 2020 contain the full accounting principles.

The release of the financial statements has been audited.

The Savings Banks Group's consolidated financial statements are prepared in euros, which is the accounting presentation and functional operational currency of the Savings Banks Group.

ACCOUNTING TREATMENT OF CONFIGURATION AND CUSTOMISATION COSTS OF SAAS-SERVICES (SYSTEM AS A SERVICE)

In 2021, the Savings Banks Group adopted the agenda decision published by IFRIC in April concerning the accounting treatment of configuration and customisation costs of SaaS arrangements and whether the expenses should be recognised as intangible assets in accordance with IAS 38. The adoption of the agenda decision reduced the carrying amount of the intangible assets and the profit for the financial year 2021 approximately EUR 1,0 million.

CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

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

The key estimates of the Savings Banks Group are related to the determination of impairment and fair value of financial assets, the determination of the liability for life insurance contracts, the recognition of deferred tax assets from confirmed losses and the determination of the present value of pension obligations. The key uncertainties in estimates made in these financial statements are particularly related to future economic development.

In the financial statements dated 31 December 2021, the most significant uncertainty influencing the management's estimates has been the prevailing COVID-19 pandemic. There is considerable uncertainty associated with estimating the economic impacts of the coronavirus pandemic, which particularly influences the assessment of the expected credit losses on financial assets.

DETERMINATION OF EXPECTED CREDIT LOSSES

The Savings Banks Group's expected credit loss calculation models contain several factors that require the management's judgment.

- Selection of the models used in the calculations so that they illustrate the expected credit losses of the contract portfolio as accurately as possible.
- Assumptions and expert assessments included in the models
- Defining the quantitative and qualitative criteria for a significant increase in credit risk
- Selection of the macroeconomic factors describing future economic development used in the calculations so that changes in the selected factors are correlated with the probability of contract default.
- Preparing economic forecasts and predicting the probability of their future realisation.

The Savings Banks Group uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognising an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model. The uncertainty regarding future economic development that continued during the financial year has increased the significance of the management's judgment and estimates.

On the balance sheet date, the adjustments based on the management's judgment have been associated especially with receivables in stage 3 and, when assessing the need and extent of adjustments, attention has been paid especially to the following factors that influence the expected credit loss amount.

- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level of residential properties and realization, for instance.

- Amount and timing of receivables' contractual cash flows, taking into account available counter-party information that is not included in the calculation model. Such information includes, for instance, changes in employment, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.

- Change in the credit risk of the receivable counterparty, resulting from factors such as pandemic-related restrictions that influence business or employment that are not included in the calculation model.

Based on an analysis of the credit portfolio, the Savings Banks Group does not have significant sector-specific risk concentrations that would necessitate increases to the expected credit losses indicated by the forecasting models by making adjustments based on the management's judgment.

In evaluating the quality of the credit portfolio, special attention was given to stage 3 receivables and the number, recurrence and allocation of instalment-free periods granted by the Group.

The instalment-free periods granted in spring 2020 have primarily expired, and at the end of the 2021 financial year, the number of instalment-free periods had returned to the level before the COVID-19 pandemic.

In October, the Savings Banks Group updated the economic forecasts used in the calculation of expected credit losses and the weights set for the scenarios. Further details on the key macroeconomic variables and the weights assigned to the scenarios in the economic forecasts are presented in Note 8, "Impairment losses on financial assets".

NEW AND AMENDED STANDARDS APPLIED IN FINANCIAL YEAR ENDED

Savings Banks Group has applied, as from 1 January 2021, the following new and amended standards that have entered into effect.

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 *Leases* (effective from 1 April 2021 for financial years starting at the latest, on or after 1 January 2021)

The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid-19 pandemic and only if certain conditions are met. The change in the standard did not have an impact on Savings Banks Group's consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 *Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement,* IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts and* IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

The change in the standards did not have an impact on Savings Banks Group's consolidated financial statements.

ADOPTION OF NEW AND AMENDED STANDARDS IN FUTURE FINANCIAL YEARS

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

* Not yet endorsed for use by the European Union as of 31 December 2021.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, *Contingent Liabilities and Contingent Assets* (effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

The changes in the standards will have no significant impact on Savings Banks Group's consolidated financial statement.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Reference to the Conceptual Framework — Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after 1 January 2022)

The amendments update a reference in IFRS 3 and made further reference related amendments.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

IFRS 17 *Insurance Contracts* (effective for financial years beginning on or after 1 January 2023, early application permitted for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4-standard.

In Savings Banks Group, the insurance contracts of Sb Life Insurance Ltd are subject to the provisions of IFRS 17. The Savings Banks Group has a separate project underway to prepare for the adoption of the standard, review the need for changes and assess the impact of the IFRS 17 standard on the financial position and profit of the Savings Banks Group.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Comparative Information – Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 * (effective for financial years beginning on or after 1 January 2023)

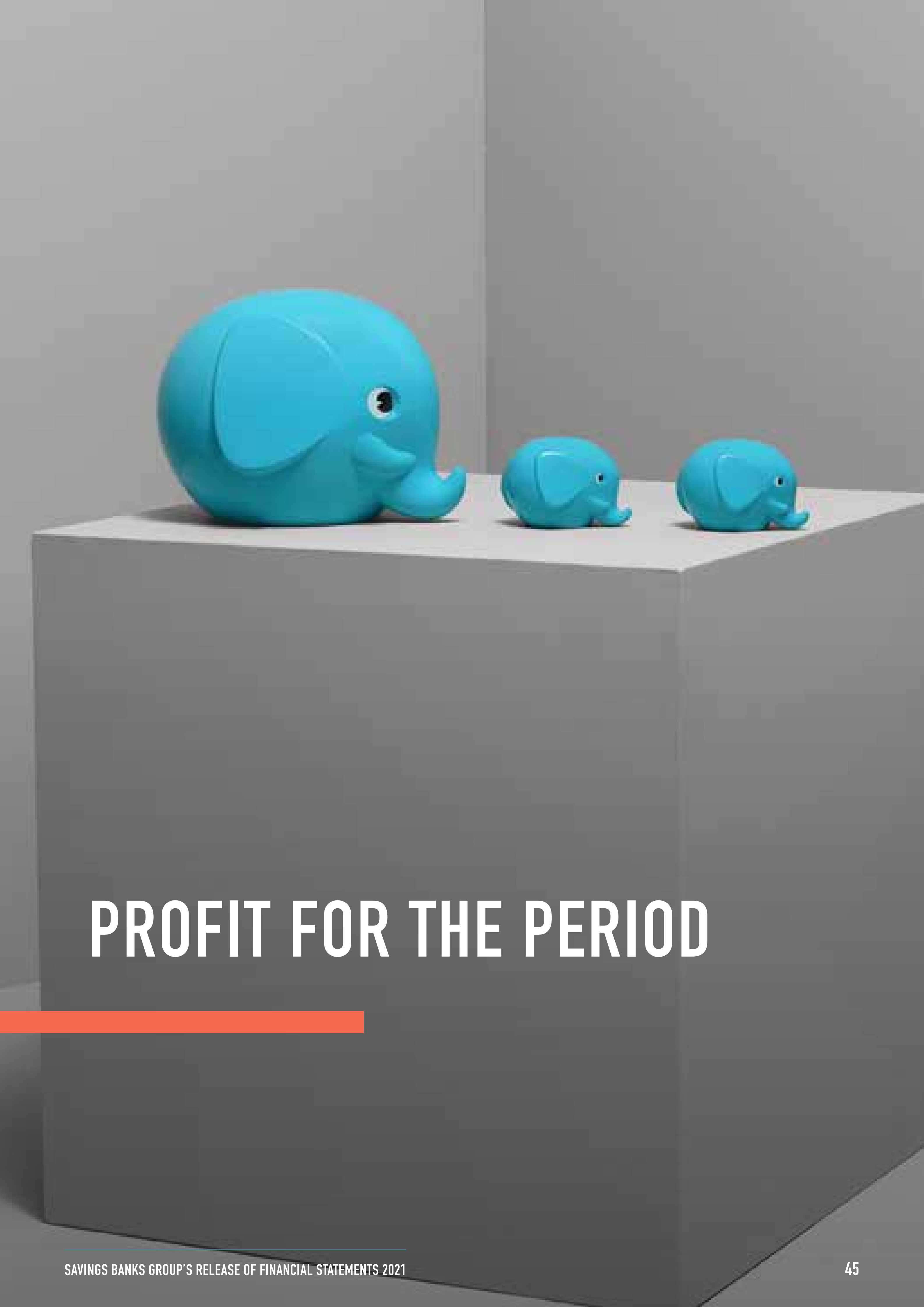
Amendment to IFRS 17 to alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* *
(available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations.

The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.



PROFIT FOR THE PERIOD

NOTE 3: OPERATING SEGMENTS

The Savings Banks Group reports information about its operating segments in compliance with IFRS 8. According to IFRS 8, the financial information regularly provided to the chief operating decision maker forms the basis for segment reporting. Thus the segment division of the information presented in the Financial Statements is based on the same division as is applied in management reporting.

The chief operating decision maker of the Savings Banks Group is the Board of Directors of Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation of Savings Banks. According to the rules of Savings Banks' Union Coop, the Board of Directors of the Central Institution bears the primary responsibility for allocating the resources and evaluating the performance of the Savings Banks Group.

The reportable segments of the Savings Banks Group include Banking as well as Asset Management Services. Operations not included in the reportable segments are presented in the reconciliations.

The Banking segment comprises the member Savings Banks, the Central Bank of Savings Banks Finland Plc and Sp Mortgage Bank Plc . Savings Banks practice retail banking. The Central Bank of Savings Banks acts as the central bank of the Savings Banks. Sp Mortgage Bank Plc is engaged in mortgage banking. The most significant income items of Banking are net interest income, fee and commission income as well as investment income. The most significant expense items consist of personnel expenses and other operating expenses.

The Asset Management Services segment comprises Sp-Fund Management Company Ltd and Sb Life Insurance Ltd. Sp-Fund Management Company Ltd is engaged in administration of mutual funds and asset management, whereas Sb Life Insurance Ltd practises life insurance operations. The most significant income items of the Asset Management Services segment are fee and commission income, insurance premiums and investment income. The most significant expense items consist of fee and commission expenses, claims incurred, personnel expenses and other operating expenses.

Segment reporting is prepared in compliance with the accounting policies of the financial statements of the Savings Banks Group.

Internal transactions of the reportable segments are eliminated within and between the segments. Acquisition cost eliminations, non-controlling interests and other intra-group arrangements are included in the eliminations presented in reconciliations.

Pricing between the segments is based on market prices.

In accordance with IFRS 8, Savings Banks Group is required to disclose business with a single external customer that generates 10% or more of the combined revenue. The Group has no such customers for which revenue would exceed 10%.

INCOME STATEMENT 2021

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	166,442	-301	166,141
Net fee and commission income	74,806	40,159	114,965
Net investment income	17,191	13	17,204
Net life insurance income		18,511	18,511
Other operating revenue	9,192	78	9,271
Total operating revenue	267,631	58,460	326,091
Personnel expenses	-64,727	-7,566	-72,292
Other operating expenses	-152,023	-10,921	-162,944
Total operating expenses	-216,750	-18,487	-235,237
Net impairment loss on financial assets	-1,297		-1,297
Profit before tax	49,584	39,973	89,557
Taxes	-9,093	-8,002	-17,095
Profit	40,491	31,971	72,462
Statement of financial position 2021			
Cash and cash equivalents	1,017,904		1,017,904
Loans and advances to credit institutions	129,484		129,484
Loans and advances to customers	9,603,223		9,603,223
Derivatives	33,693		33,693
Investment assets	992,799		992,799
Life insurance assets		1,160,683	1,160,683
Other assets	148,059	10,396	158,456
Total assets	11,925,162	1,171,080	13,096,242
Liabilities to credit institutions	424,431		424,431
Liabilities to customers	7,682,351		7,682,351
Derivatives	15,511		15,511
Debt securities issued	2,500,165		2,500,165
Life insurance liabilities		1,084,728	1,084,728
Subordinated liabilities	13,343		13,343
Other liabilities	124,737	22,644	147,381
Total liabilities	10,760,539	1,107,372	11,867,910
Number of emplyees at the end of the period	974	77	1,051

Reconciliations:	1-12/2021	1-12/2020
Revenue		
Total revenue for reportable segments	326,091	306,252
Non allocated revenue, other operations	1,475	336
Total revenue of the Group	327,566	306,588
Profit		
Total profit or loss for reportable segments	72,462	51,870
Non allocated amounts	300	223
Total profit of the Group	72,762	52,092
	31.12.2021	**31.12.2020**
Assets		
Total assets for reportable segments	13,096,242	13,348,552
Non allocated assets, other operations	-17,146	-251,489
Total assets of the Group	13,079,096	13,097,063
Liabilities		
Total liabilities for reportable segments	11,867,910	11,939,734
Non allocated liabilities, other operations	20,894	1,620
Total liabilities of the Group	11,888,804	11,941,354

INCOME STATEMENT 2020

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	161,153	-131	161,022
Net fee and commission income	68,690	30,806	99,497
Net investment income	19,576	-398	19,178
Net life insurance income		18,335	18,335
Other operating revenue	8,102	118	8,220
Total operating revenue	257,521	48,731	306,252
Personnel expenses	-61,429	-7,761	-69,190
Other operating expenses	-140,886	-10,047	-150,933
Total operating expenses	-202,314	-17,808	-220,123
Net impairment loss on financial assets	-19,775		-19,775
Profit before tax	35,431	30,923	66,354
Taxes	-8,339	-6,145	-14,484
Profit	27,092	24,777	51,870
Statement of financial position 2020			
Cash and cash equivalents	1,183,519		1,183,519
Loans and advances to credit institutions	109,060		109,060
Loans and advances to customers	9,284,085		9,284,085
Derivatives	76,438		76,438
Investment assets	1,423,097		1,423,097
Life insurance assets		1,007,198	1,007,198
Other assets	253,577	11,578	265,155
Total assets	12,329,776	1,018,776	13,348,552
Liabilities to credit institutions	389,890		389,890
Liabilities to customers	7,783,609		7,783,609
Derivatives	570		570
Debt securities issued	2,626,632		2,626,632
Life insurance liabilities		960,690	960,690
Subordinated liabilities	29,136		29,136
Other liabilities	133,231	15,976	149,207
Total liabilities	10,963,068	976,667	11,939,734
Number of emplyees at the end of the period	1,000	81	1,081

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Interest income		
Debt securities eligible for refinancing with Central Bank	4,095	4,064
Loans and advances to credit institutions	371	324
Loans and advances to customers	145,976	144,766
Debt securities	7,216	8,420
Derivative contracts		
Hedging derivatives	22,858	23,349
Other	2,720	2,115
Total	183,237	183,038
Interest expense		
Liabilities to credit institutions	-3,975	-3,640
Liabilities to customers	-4,811	-6,880
Derivative contracts		
Hedging derivatives	-648	-1,325
Debt securities issued	-6,860	-9,006
Subordinated liabilities	-404	-873
Other	-502	-347
Total	-17,199	-22,071
Net interest income	166,039	160,967

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Fee and commission income		
Lending	21,703	18,924
Deposits	285	275
Payment transfers	47,862	44,818
Securities brokerage	1,280	1,373
Mutual fund brokerage	40,568	30,818
Asset management	688	530
Legal services	4,626	4,035
Custody fees	2,192	1,881
Insurance brokerage	1,555	1,544
Guarantees	2,214	2,018
Other	3,300	2,807
Total	126,273	109,022
Fee and commission expense		
Payment transfers	-3,383	-3,458
Securities	-415	-408
Mutual fund brokerage	-762	
Asset management	-1,059	-792
Other*	-5,773	-4,621
Total	-11,391	-9,280

*of which the most significant expenses are the shared ATM expenses amounting to EUR 2,616 (2,408) thousand.

Net fee and commission income	114,882	99,742

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	848	245
Transferred from fair value reserve during the financial year	982	991
Total Debt securities	1,830	1,236
Shares and participations		
Dividend income	32	19
Total shares and participations	32	19
Total	1,862	1,255
Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	-78	89
Fair value gains and losses	-94	-1,261
Shares and participations		
Dividend income	2,638	3,685
Capital gains and losses	1,508	17
Fair value gains and losses	13,652	15,389
Net income from foreign exchange operations	25	-193
Derivative contracts*)	-112	-101
Net income from hedge accounting		
Change in hedging instruments' fair value	-55,276	14,174
Change in hedged items' fair value	52,842	-11,531
Total	15,106	20,268
* Including EUR 2 (-83) thousand of the ineffective part of cash flow hedges.		
Net income from investment property		
Rental and dividend income	6,701	6,692
Capital gains and losses	2,317	497
Other income from investment property	97	74
Maintenance charges and expenses	-4,841	-5,097
Depreciation and amortisation of investment property	-3,434	-4,008
Rental expenses arising from investment property	-585	-112
Total	255	-1,955
Net investment income	17,223	19,569

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1-12/2021	1-12/2020
Premiums written		
Group's share	116,732	105,238
Insurance premiums ceded to reinsurers	-1,131	-826
Net investment income	95,946	58,915
Claims incurred		
Claims paid	-63,683	-77,633
Change in provision for unpaid claims	-5,125	1,167
Insurance premiums ceded to reinsurers		
Change in insurance contract liabilities		
Change in life insurance provision	-121,971	-66,482
Insurance premiums ceded to reinsurers		
Other	-2,256	-2,044
Net life insurance income	18,511	18,335

Net investment income (EUR 1,000)	1-12/2021	1-12/2020
Net interest	6	36
Dividend income	325	552
Realised capital gains and losses	161	133
Unrealised gains and losses	93,052	59,927
Other investments	243	213
Net income from foreign exchange operation	368	-375
Net income from unit-linked customer assets	1,791	-1,571
Total	95,946	58,915

NOTE 8: IMPAIRMENT LOSS ON FINANCIAL ASSETS

The Savings Banks Group determines impairments on financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets that are subsequently measured at amortized cost or at fair value through other comprehensive income as well as for financial guarantees and loan commitments.

For the purpose of measuring expeted credit losses, the Group applies a three-stage model in which the stage to be applied in the measurement is determined based on the change in the credit risk of the financial asset between the date of initial recognition and the reporting date.

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event being incurred within 12 months of the reporting date.

- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset."

The table below present the financial assets within the scope of measurement of expected credit losses by impairment stage broken down into investment assets, loans and advances and off-balance sheet items.

FINANCIAL ASSETS WITHIN THE SCOPE OF MEASUREMENT OF EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGE

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 December 2021				
Investment assets	749,114	3,194	3,200	755,508
Loans and advances	8,869,376	649,152	150,792	9,669,320
Off-balance sheet items	762,468	13,846	1,469	777,782
Total	10,380,957	662,997	155,461	11,202,610

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 December 2020				
Investment assets	632,984	4,200	4,000	641,184
Loans and advances	8,569,101	577,336	203,129	9,349,566
Off-balance sheet items	599,029	21,986	4,500	625,514
Total	9,801,113	603,521	211,629	10,616,264

In assessing the significance of change in credit risk, the Savings Banks Group takes into account the following qualitative and quantitative information, amongst others.

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when payment delay exceeds 30 days. When payment delay for a financial asset exceeding the threshold exceeds 90 days, it is deemed to be impaired and is migrated from stage 2 to stage 3.

- Deterioration of credit rating grade: the risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the credit rating grade is deteriorated by 4 or more rating grades.

- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significanlty and the contract is migrated from stage 1 to stage 2. If the contract is forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.

- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

- PD% increase (investment assets): credit risk is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when its PD increases either by 10 basis points or 2,5 times its original value."

The financial asset can revert from stage 2 and 3 if its credit risk has improved significantly and it has consistently met the criteria for the previous stage during the length of the defined probation period. The length of the probation period for transition from stage 2 to stage 1 is three months and from stage 3 to stage 2 three months.

The tables below present the development of the expected credit losses as of the begining of the reporting period.

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES AND OFF-BALANCE SHEET ITEMS

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected credit losses 1 January 2021	6,114	2,738	34,497	43,349
Transfers to stage 1	937	-2,558	-767	-2,387
Transfers to stage 2	-1,113	9,373	-3,967	4,293
Transfers to stage 3	-202	-806	7,533	6,525
New assets originated or purchased	3,805	143	901	4,849
Assets derecognised or repaid (excluding write offs)	-1,045	-1,119	-3,466	-5,630
Amounts written off			-5,426	-5,426
Amounts recovered			587	587
Change in credit risk	-4,175	-3,663	8,878	1,040
Change in model for calculation of ECL	-599	-1,647	-2,189	-4,435
Net change in ECL				-584
Expected credit losses 31 December 2021	3,722	2,461	36,582	42,765

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSETS

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected credit losses 1 January 2021	4,336	111	3,253	7,699
New assets originated or purchased	585			585
Assets derecognised or repaid (excluding write offs)	-828	-56	-144	-1,028
Change in credit risk	-2,618	5	86	-2,527
Net change in ECL				-2,970
Expected credit losses 31 December 2021	1,476	60	3,194	4,730
Total expected credit losses 31 December 2021				47,495
Total change in expected credit losses 1 January 2020 -31 December 2021				-3,554

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

The Savings Banks Group's assessment of expected credit loss is based on the PD*LGD*EAD model. For low-risk counterparties – including the public sector, financial institutions and state-guaranteed student loans – the calculation is based on the Loss Rate model (Loss Rate*EAD). The calculations are carried out separately for each contract and based on the following parameters:

- PD% (only the PD/LGD model): probability of default based on external and internal credit ratings.

- Loss Rate% (only the Loss Rate model): a percentage figure established for each counterparty based on their sector code.

- LGD %: estimated loss at the time of default, takes into consideration the contract's available collateral.

- EAD: exposure at default is the annual average and takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which it has been modelled. Off-balance sheet items are considered to remain fixed until the end of the lifecycle of the contract. The undrawn commitment component is included in the calculation in full.

The calculation takes the time value of money into consideration by discounting the expected credit loss calculated for the contract. The effective interest rate is the contractual interest rate and it is calculated on the gross carrying amount in stages 1 and 2 and on the adjusted carrying amount in stage 3.

The Savings Banks Group assesses expected credit losses of debt securities belonging to investment assets by purchasing lot by using the PD*LGD*EAD model. The probability of default (PD) is based on credit ratings provided by Bloomberg and, if they are not available, external credit rating information, which is converted into PD values. The LGD values used in the calculation correspond to analysed historical actuals by investment type and are not assessed separately by issuer or investment.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The effect of the changes in macroeconomic forecasts is modelled in the PD parameter that is used in calculation of ECL. The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the third-year values of the forecast period. The scenarios have been updated in October 2021. The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2022	2023	2024
- Change in EuropeStoxx%	4 % / 10 %	6 %	6 %
- Change in GDP	1 % / 4 %	1,2 % / 1,6 %	1,20 %
- Investments	1 % / 4,0 %	2,5 % / 2,5 %	1,5 % / 1,5 %

EFFECT OF CHANGES IN THE ECL MODEL AND IMPLEMENTATION OF NEW DEFINITION OF DEFAULT

IMPLEMENTATION OF THE NEW DEFINITON OF DEFAULT

At the beginning of the review period 2021, the Savings Banks Group adopted the European Banking Authority's (EBA) guidelines on the application of the definition of default (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013: EBA/GL/2016/07 and EBA/RTS/2016/06). Implementation of the new definition of default increased the amount of defaulted exposures and thus transitions to impairment stage 3. The increase in expected credit lossess resulting from the change, EUR 2,1 million, is included in the line Change in model for calculation of ECL.

During the second quarter of the financial period, the Savings Banks Group calibrated the PD model used for calculation of expected credit losses for retail clients so as to comply with the new definition of default. The PD model for corporate clients has been calibrated to comply with the new definiton of default during the third quarter of the financial period.

CHANGE IN THE CRITERIA OF IMPAIRMENT STAGES 2 AND 3

The stage 3 criteria for calculation of expected credit losses for loans and advances have been harmonized with the definition of default adopted at the beginning of the reporting period. Following the amendment the contract will transition to stage 3, if any of the following criteria is met:

- payment delay of more than 90 days for an exposure exceeding the threshold,
- severe external disturbance or
- unlikeliness to pay.

Following the amendment the probation period for contracts in impairment stage 3 was shortened from 12 months to 3 months and the calculation of payment delay includes thresholds regarding the absolute value of the exposure and relative value of all of the exposures of the debtor. Following the amendment the definition of default applied in calculation of expected credit lossess is aligned with the definition of default used in internal risk management.

The stage 2 criteria for calculation of expected credit losses has been amended due to adoption of a new credit rating model for retail clients. The criteria has been amended by replacing the decrease by 3 credit rates with decrease by 4 credit rates whereas the other stage 2 creiteria remained stable.

The aforementioned changes in the criteria for impairment stages 2 and 3 decreased the ECL amount by approximately EUR 5,1 million. The effect of the changes is included in the line Change in model for calculation of ECL.

RE-MODELLING OF THE MACROMODEL INCLUDED IN ECL CALCULATION

Incorporation of forward looking economic information in calculation of expected credit losses for the loan portfolio has been re-modelled. The three scenarios used in the new model are base, pessimistic and optimistic and they are based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The key macroeconomic variables in the new model are EuropeStoxx, GDP and investments (12/20: GDP, investments, unemployment rate, inflation and house price index). The allocated scenarioweights are based on the Savings Banks Groups' Chief Economist's and management's view on the likelihood of the different macroeconomic outcomes. Implementation of the new macromodel decreased ECL amount by approximately EUR 1,4 million, the effect of the change is included in the line Change in model for calculation of ECL.

CORONAVIRUS PANDEMIC (COVID-19)

In the outbreak of the coronapandemic the Savings Banks Group offered its customers the opportunity of having an instalment-free period. The increase in the number of instalment-free periods granted levelled of at the end of reporting period 2020 and have returned to the level before the outbreak during the reporting period.

The macroeconomic forecasts used in calculation of expected credit losses were updated in October -21.

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES AND OFF-BALANCE SHEET

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2020	5,764	3,674	28,609	38,048
Transfers to stage 1	289	-1,129	-56	-896
Transfers to stage 2	-209	1,356	-441	706
Transfers to stage 3	-1,054	-730	7,174	5,390
New assets originated or purchased	1,709	294	936	2,940
Assets derecognised or repaid (excluding write offs)	-677	-514	-2,394	-3,585
Amounts written off			-7,985	-7,985
Amounts recovered			282	282
Change in credit risk	-911	-187	6,045	4,948
Change in model for calculation of ECL	1,267	25	2,602	3,893
Net change in ECL				5,692
Expected Credit Losses 31 December 2020	6,177	2,789	34,774	43,739

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSET

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2020	1,775	1,200	107	3,081
Transfers to stage 2	-9	111		102
Transfers to stage 3	-7	-1,200	3,128	1,921
Investments during the period	872		124	997
Investments expired	-714		-107	-821
Change in credit risk	2,419			2,419
ECL net change				4,618
Expected Credit Losses 31 December 2020	4,336	111	3,253	7,699
Total Expected Credit Losses 31 December 2020				51,439
Total change in Expected Credit Losses 1 January 2020 -31 December 2020				10,310

ASSETS

NOTE 9: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
31.12.2021						
Cash and cash equivalents	11,266		1,006,639			1,017,904
Loans and advances to credit institutions	129,484					129,484
Loans and advances to customers	9,602,512		271			9,602,782
Derivatives						
hedging derivatives						
cash flow hedges			1,527			1,527
fair value hedges			32,167			32,167
Investment assets	68,429	701,727	171,095		32,975	974,226
Life insurance assets*		163,084	992,787		4,813	1,160,683
Total assets	9,811,689	864,811	2,204,485		37,788	12,918,773
Financial liabilities at fair value through profit or loss			13,706			13,706
Liabilities to credit institutions				423,705		423,705
Liabilities to customers				7,682,351		7,682,351
Derivatives						
hedging derivatives						
fair value hedges			15,398			15,398
other than hedging derivatives			113			113
Debt securities issued				2,500,165		2,500,165
Life insurance liabilities*			990,491	90,619	3,618	1,084,728
Subordinated liabilities				13,427		13,427
Total liabilities			1,019,708	10,710,268	3,618	11,733,594

*Items at fair value through profit or loss include investments covering unit-linked contracts and related liabilities.

(EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
31.12.2020						
Cash and cash equivalents	13,491		1,170,028			1,183,519
Loans and advances to credit institutions	109,060					109,060
Loans and advances to customers	9,282,311		1,350			9,283,660
Derivatives						
hedging derivatives						
cash flow hedges			2,637			2,637
fair value hedges			73,801			73,801
Investment assets	7,692	685,635	426,959		38,915	1,159,201
Life insurance assets*		157,983	859,567		5,011	1,022,561
Total assets	9,412,553	843,619	2,534,342		43,926	12,834,440
Financial liabilities at fair value through profit or loss						
Liabilities to credit institutions				389,879		389,879
Liabilities to customers				7,778,931		7,778,931
Derivatives						
hedging derivatives						
fair value hedges			570			570
Debt securities issued				2,626,632		2,626,632
Life insurance liabilities*			854,766	99,246	3,161	957,174
Subordinated liabilities				29,220		29,220
Total liabilities			855,337	10,923,908	3,161	11,782,406

*Items at fair value through profit or loss include investments covering unit-linked contracts and related liabilities.

NOTE 10: LOANS AND ADVANCES

(EUR 1,000) 31.12.2021	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	129,381	-13	129,368
Loans and other receivables	120	-4	116
Total	129,501	-17	129,484
Loans and advances to customers			
By products			
Used overdrafts	79,195	-933	78,262
Loans	8,966,563	-37,664	8,928,898
Interest subsidized housing loans	499,304	-1,428	497,876
Loans granted from government funds	37		37
Credit cards	98,479	-1,743	96,737
Guarantees	1,080	-109	971
Total	9,644,659	-41,877	9,602,782
Loans and advances total	9,774,160	-41,895	9,732,266

(EUR 1,000) 31.12.2020	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	108,897	-35	108,862
Loans and other receivables	205	-7	198
Total	109,102		109,060
Loans and advances to customers			
By products			
Used overdrafts	80,649	-1,994	78,655
Loans	8,671,111	-37,418	8,633,693
Interest subsidized housing loans	479,202	-1,305	477,898
Loans granted from government funds	167	-7	160
Credit cards	93,834	-1,423	92,412
Guarantees	988	-145	843
Total	9,325,952	-42,292	9,283,660
Loans and advances total	9,435,054	-42,292	9,392,720

NOTE 11: DERIVATIVES AND HEDGE ACCOUNTING

The Savings Banks Group hedges its interest rate risk against changes both in fair value and in cash flows and applies hedge accounting on hedging relationships. Fair value hedging is applied when fixed interest rate deposits are hedged. Cash flow hedging is applied when hedging the future interest cash flow from variable rate lending.

Changes in the fair value of derivatives in fair value hedging are recognised in the income statement under Net investment income. In fair value hedging, also the hedged item is measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair value of the hedged item are recognised in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under Net investment income. Interests on hedging derivatives are presented as interest income and expense depending on their nature.

The effective part of changes in the fair value of derivatives hedging cash flows are recognised in equity in the reserve for hedging instruments after adjustments for deferred taxes. The ineffective part of changes in fair value are recognised in the income statement under Net investment income. Interests on hedging derivatives are presented as interest income and expense depending on their nature.

(EUR 1,000)	Nominal value / remaining maturity				Fair value	
31.12.2021	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Other than hedging derivatives						
Interest rate derivatives	10,000	10,000		20,000		113
Total	10,000	10,000		20,000		113
Hedging derivative contracts						
Fair value hedging*	530,000	769,000	953,000	2,252,000	32,167	
Interest rate derivatives	530,000	769,000	953,000	2,252,000	32,167	
Cash flow hedging**	10,000	30,000		40,000	1,527	15,398
Interest rate derivatives	10,000	30,000		40,000	1,527	15,398
Total	540,000	799,000	953,000	2,292,000	33,693	15,398

* Fixed rate deposit (Liabilities to customers) designated as exposures in fair value hedging groups have total nominal value of EUR 2,232,000 thousand and total booking value of EUR 2,245,882 thousand.

Fixed rate issued bonds (Debt securitues issued) designated as exposures in fair value hedging groups have total nominal value of EUR 1,698,000 thousand and total booking value of EUR 1,700,315 thousand.

Nominal values of hedges equal to the nominal values of exposures.

** Variable rate loans (Loans and advances to customer) designated as exposures in cash flow hedging groups have total nominal value of EUR 40,000 thousand and total booking value of EUR 40,000 thousand. Nominal values of hedges equal to the nominal values of exposures.

In the financial year 2021, EUR -859 thousand of effective cash flow hedging was recognised in other comprehensive income.

The ineffective part of cash flow hedging totalled EUR 2 thousand in the financial year 2021 and was recognised in Net investment income.

HEDGED CASH FLOWS ARE EXPECTED TO AFFECT PROFIT DURING THE FOLLOWING PERIODS:

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	884	808		1,691
Total	884	808		1,691

(EUR 1,000)	Nominal value / remaining maturity				Fair value	
31.12.2020	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	566,020	719,000	1,028,000	2,313,020	73,801	570
Interest rate derivatives	560,000	719,000	1,028,000	2,307,000	73,546	315
Equity and index derivatives	6,020			6,020	255	255
Cash flow hedging	10,000	40,000		50,000	2,637	
Interest rate derivatives	10,000	40,000		50,000	2,637	
Total	576,020	759,000	1,028,000	2,363,020	76,438	570

In the financial year 2020, EUR -451 thousand of effective cash flow hedging was recognised in other comprehensive income.

The ineffective part of cash flow hedging totalled EUR -83 thousand in the financial year 2020 and was recognised in Net investment income.

HEDGED CASH FLOWS ARE EXPECTED TO AFFECT PROFIT DURING THE FOLLOWING PERIODS:

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,060	1,777		2,837
Total	1,060	1,777		2,837

NOTE 12: INVESTMENT ASSETS

(EUR 1,000)	31.12.2021	31.12.2020
At fair value through other comprehensive income		
Debt securities	700,771	682,367
Shares and participations	1,243	3,268
Total	702,014	685,635
Fair value through profit or loss		
Debt securities	18,573	24,452
Shares and participations	152,235	402,507
Total	170,808	426,959
Amortised cost investments		
Debt securities	68,482	7,745
Expected Credit Losses	-53	-53
Total	68,429	7,692
Investment property	32,975	38,915
Investment assets	974,226	1,159,201

BREAKDOWN BY ISSUER OF QUOTATION

31.10.2021 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	130,814	733	66,332	197,879
From others	561,615	156,573	100	718,288
Other				
From others	9,585	13,503	1,996	25,083
Total	702,014	170,808	68,429	941,251

31.10.2020 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	120,289	821	7,201	128,312
From others	561,869	398,629	100	960,598
Other				
From others	3,477	27,509	338	31,324
Total	685,635	426,959	7,639	1,120,234

NOTE 13: LIFE INSURANCE ASSETS

(EUR 1,000)	31.12.2021	31.12.2020
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	604,864	515,183
Asset management portfolio	146,445	133,699
Other unit-linked covering assets	238,370	207,693
Investments covering for unit-linked policies total	989,680	856,574
Other investments		
At fair value through profit or loss		
Debt securities	3,107	2,992
Total	3,107	2,992
Available-for-sale financial assets		
Debt securities	1,602	1,245
Shares and participations	161,481	156,739
Total	163,084	157,983
Other investments total	166,191	160,976
Total life insurance investments	1,155,871	1,017,550
Other assets		
Premium receivables		84
Other receivables	4,544	4,686
Accrued income	269	241
Total	4,813	5,011
Total life insurance assets	1,160,683	1,022,561

BREAKDOWN OF LIFE INSURANCE DEBT SECURITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS, SHARES AND PARTICIPATIONS AS WELL AS DERIVATIVES BY ISSUER OF QUOTATION

(EUR 1,000)	31.12.2021			31.12.2020		
	Debt securities	Shares and participations	Derivative contracts	Debt securities	Shares and participations	Derivative contracts
Quoted						
From others		984,591		2,992	856,574	
Total		984,591		2,992	856,574	

LIABILITIES AND EQUITY

NOTE 14: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2021	31.12.2020
Liabilities to credit institutions		
Liabilities to central banks	68,000	62,000
Liabilities to credit institutions	355,705	327,879
Total	423,705	389,879
Liabilities to customers		
Deposits	7,652,061	7,723,943
Other financial liabilities	1,557	3,149
Change in the fair value of deposits	28,733	51,839
Total	7,682,351	7,778,931
Liabilities to credit institutions and customers	8,106,057	8,168,810

NOTE 15: DEBT SECURITIES ISSUED

(1 000 euroa)	31.12.2021	31.12.2020
Measured at amortised cost		
Bonds	845,891	1,064,545
Covered bonds	1,500,137	1,496,153
Other		
Certificates of deposit	154,137	65,934
Debt securities issued	2,500,165	2,626,632
Of which		
Variable interest rate	444,180	709,073
Fixed interest rate	2,055,985	1,917,559
Total	2,500,165	2,626,632

COVERED BONDS ISSUED

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2017	500,000	499,200	5 years	Fixed	0,125 %	24.10.2022
Sp Mortgage Bank 2019	500,000	498,131	7 years	Fixed	0,050 %	19.6.2026
Sp Mortgage Bank 2021	500,000	502,806	7 years	Fixed	0,010 %	28.9.2028
Total	1,500,000	1,500,137				

The Group has not had delays or defaults in respect of its issued debt securities.

NOTE 16: LIFE INSURANCE LIABILITIES

(EUR 1,000)	31.12.2021	31.12.2020
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	90,619	99,246
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	583,321	526,079
Liabilities for unit-linked investment contracts	407,170	328,688
Other liabilities		
Accrued expenses and deferred income	3,009	2,450
Other	609	711
Life insurance liabilities	1,084,728	957,174

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards. The measurement principles are described in more detail in the accounting policies of the official financial statements (note 2).

In liability adequacy test, the adequacy of liabilities for insurance policies is compared to the liabilities derived from the internal model. The adequacy test is described in more detail in the accounting policies.

Duration is based on the cash flows of insurance contract liabilities derived from the internal model and on a risk-free interest rate curve.

OTHER NOTES

NOTE 17: FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE MEASUREMENT

Financial instruments are presented in the Group's balance sheet at fair value or at amortized cost. The classification of financial assets and liabilities by valuation technique as well as the criteria for measurement methods and for determining fair value are described in the accounting policies (Note 2).

The fair values of financial instruments are primarily determined using quotations on a publicly traded market or market prices received from third parties. If quoted market prices are not available, balance sheet items are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

Investment property in the Group's financial statements is measured at cost less depreciation and impairment. The fair value of investment property is presented in the notes. Fair values are determined on the basis of market prices which are as comparable as possible or a valuation model which is based on net income from investment property. An independent appraiser's opinion on the valuation is sought for the most material properties.

The Savings Banks Group does not have assets measured at fair value on a non-recurring basis.

FAIR VALUE HIERARCHY

Level 1 consists of financial assets, for which the value is determined based on quotes on a liquid market. Market is considered liquid if the prices are available easily and regularly enough. Level 1 includes quoted bonds as well as other securities and listed shares and derivatives which are quoted on public.

Level 2 includes financial assets for which there is no quotation directly available on an active market and whose fair value is estimated using valuation techniques or models. These are based on assumptions which are supported by verifiable market information such as the listed interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives as well as commercial papers and certificates of deposit.

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

TRANSFERS BETWEEN LEVELS

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such a transfer or when circumstances change.

In the period 1-12/2021, there were no transfers between levels 1 and 2.

31.12.2021	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss					
Banking	1,178,004	1,166,562		11,442	1,178,004
Asset Management Services*	992,787	992,787			992,787
Derivative contracts					
Banking	33,693		33,693		33,693
Fair value through other comprehensive income					
Banking					
Asset Management Services*	701,727	700,480		1,247	701,727
Varallisuudenhoidon palvelut*	163,084	147,835		15,249	163,084
Measured at amortised cost					
Investments, Banking	68,429	68,800			68,800
Loans and other receivables, Banking	9,743,261		11,146,790		11,146,790
Total financial assets	12,880,985	3,076,464	11,180,483	27,938	14,284,886
Investment property					
Banking	32,975			62,459	62,459
Total	32,975			62,459	62,459

* including fair value of investments covering unit-linked policies, which are reported on level 1.
** The other investors' share of the consolidated mutual funds.

31.12.2021 Financial liabilities (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	13,706	13,706			13,706
Asset Management Services*	990,491	990,491			990,491
Johdannaiset					
Banking	15,511		15,511		15,511
Measured at amortised cost					
Banking	10,619,649	2,370,358	7,621,940	639,842	10,632,141
Total financial liabilities	11,639,357	3,374,555	7,637,452	639,842	11,651,849

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.
** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2021	22,949	947	23,896
Purchases	4,752		4,752
Sales	-13,444	-1,001	-14,445
Matured during the period	-1,506		-1,506
Changes in value recognised in income statement, realised	-2	54	52
Changes in value recognised in income statement, unrealised	-365		-365
Transfers from level 1 and 2	362		362
Transfers between levels 1 and 2	-1,304		-1,304
Carrying amount 31 December 2021	11,442		11,442

Changes in value recognised in the income statement are presented in the item "Net investment income" and "Net life insurance income".

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2021	4,740	6,930	11,671
Purchases	2,371	7,143	9,514
Sales	-3,482		-3,482
Matured during the period	26		26
Changes in value recognised in income statement, realised	-523		-523
Changes in value recognised in comprehensive income statement	-1,887	818	-1,069
Carrying amount 31 December 2021	1,247	14,891	16,138

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)

31.12.2021	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	11,442	-82
Total	11,442	-82
Fair value through other comprehensive income		
Banking, liabilities	1,247	-26
Asset Management Services	15,249	-2,297
Total	16,496	-2,323
Total	27,938	-2,405

The above table shows the sensitivity of fair value for level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming 1 percentage points parallel shift of the interest rate level in all maturities. For non-interest sensitive instrumetns the market prices are assumed to change by -15 percentage. For derivatives it is assumed that the possible change in value equals to the fair value of the derivative.

31.12.2020 Financial assets (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,598,337	1,575,388		22,949	1,598,337
Asset Management Services*	859,567	858,620		947	859,567
Derivative contracts					
Banking	76,438		76,438		76,438
Fair value through other comprehensive income					
Banking	685,635	676,896	3,999	4,740	685,635
Asset Management Services*	157,983	151,053		6,930	157,983
Measured at amortised cost					
Investment assets, banking	7,692	7,858			7,858
Loans and advances, banking	9,404,861		10,922,864		10,922,864
Total financial assets	12,790,514	3,269,815	11,003,301	35,567	14,308,682
Investment property					
Banking	38,915			67,538	67,538
Total	38,915			67,538	67,538

* including fair value of investments covering unit-linked policies, which are reported on level 1.

** The other investors' share of the consolidated mutual funds.

31.12.2020	Carrying	Fair value by hierarchy level			
Financial liabilities (EUR 1,000)	**amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss					
Asset Management Services*	854,766	854,766			854,766
Derivative contracts					
Banking	570		570		570
Measured at amortised cost					
Banking	10,824,662	2,579,940	7,278,230	769,983	10,628,152
Total financial liabilities	11,679,998	3,434,706	7,278,800	769,983	11,483,489

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.
** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets measured at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2020	18,167	2,124	20,291
Purchases	11,335		11,335
Sales	-8,363	-1,140	-9,503
Matured during the period	-62		-62
Changes in value recognised in income statement, realised	107	-27	80
Changes in value recognised in income statement, unrealised	455	-11	444
Transfers from level 1 and 2	1,310		1,310
Carrying amount 31 December 2020	22,949	947	23,896

Changes in value recognised in the income statement are presented in the item "Net investment income" and "Net life insurance income".

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2020	3,920	11,557	15,477
Purchases	1,062		1,062
Sales	-1,422	-5,610	-7,031
Matured during the period	5		5
Changes in value recognised in income statement, realised	-11	716	705
Changes in value recognised in comprehensive income statement	196	268	464
Transfers from level 1 and 2	990		990
Carrying amount 31 December 2020	4,740	6,930	11,671

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)

31.12.2020	Carrying amount	Negative effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	22,949	-735
Asset Management Services	947	-24
Total	23,896	-760
Fair value through other comprehensive income		
Banking	4,740	-7
Asset Management Services	6,930	-1,040
Total	11,671	-1,046
Total	35,567	-1,806

The above table shows the sensitivity of fair value for level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming 1 percentage points parallel shift of the interest rate level in all maturities. For non-interest sensitive instrumetns the market prices are assumed to change by -15 percentage. For derivatives it is assumed that the possible change in value equals to the fair value of the derivative.

NOTE 18: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the Savings Banks Group are subject to either ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services. Under these agreements, derivative payments may be offset by payment transaction on each payment date as well as in the event of counterparty default or bankruptcy. In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

31.12.2021			Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements				
(EUR 1,000)	**Recognised financial assets, gross**	**Recognised financial liabilities offset in balance sheet, gross**	**Carrying amount in balance sheet, net**	**Financial instruments**	**Financial instruments held as collateral**	**Cash held as collateral**	**Net amount**
Assets							
Derivative contracts				33,693	27,540		6,153
Total				33,693			6,153
Liabilities							
Derivative contracts				15,511		10,440	5,071
Total				15,511		10,440	5,071

31.12.2020			Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements				
(EUR 1,000)	**Recognised financial assets, gross**	**Recognised financial liabilities offset in balance sheet, gross**	**Carrying amount in balance sheet, net**	**Financial instruments**	**Financial instruments held as collateral**	**Cash held as collateral**	**Net amount**
Assets							
Derivative contracts				76,438	60,481		15,957
Total				76,438	60,481		15,957
Liabilities							
Derivative contracts				570		250	320
Total				570		250	320

NOTE 19: COLLATERALS

(EUR 1,000)	31.12.2021	31.12.2020
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans *	2,295,920	2,059,487
Other	57,924	91,343
Collateral given	2,353,844	2,150,830
Collateral received		
Real estate collateral	9,057,673	8,804,193
Securities	68,683	96,654
Other	142,654	127,806
Guarantees received	63,354	49,179
Collateral received	9,332,365	9,077,832

*Loans that have given as collateral to Sp Mortage Bank's secured bonds.

NOTE 20: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2021	31.12.2020
Guarantees	79,396	71,247
Commitments related to short-term trade transactions	790,581	647,056
Other	1,656	2,315
Off balance-sheet commitments	871,633	720,619

NOTE 21: RELATED PARTIES

The Board of Savings Banks' Union Coop has defined the related parties of the Savings Banks Group. The related parties of the Savings Banks Group's comprise the entities consolidated in the Group's financial statements, associated companies and key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Savings Banks Group comprise the members and deputy members of the Supervisory Board, the members of the Board of Directors, the Managing Director and his deputy as well as the Executive Board of Savings Banks' Union Coop.

Loans and guarantees to related parties have been granted under the terms and conditions which apply to the corresponding customer loans and guarantees.

2021

(EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	6,279	2,467	2,311	11,058
Total assets	6,279	2,467	2,311	11,058
Liabilities				
Deposits	3,177	3,314	8,615	15,106
Other liabilities	2,623	1,222	257	4,103
Total liabilities	5,800	4,537	8,872	19,209
Off balance-sheet commitments				
Loan commitments	76	235	282	593
Total	76	235	282	593
Revenue and expense				
Interest income	35	47	41	123
Interest expense	-2			-3
Insurance premiums	35	513		548
Fee and commission income	3	4	1	8
Other expenses			-4,621	-4,621
Total	71	563	-4,579	-3,945

* Including key management personnel and their close family members

** Including entities which the key management personnel or their close family members control

KEY MANAGEMENT PERSONNEL COMPENSATION

(EUR 1,000)	2021	2020
Short-term employee benefits	5,713	4,342
Post-employment benefits	352	
Other long-term benefits	458	499
Total	6,524	4,841

2020

(EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	5,009	2,667	2,227	9,903
Total assets	5,009	2,667	2,227	9,903
Liabilities				
Deposits	3,130	3,745	6,317	13,192
Other liabilities	1,026	2,921	198	4,145
Total liabilities	4,157	6,665	6,515	17,337
Off balance-sheet commitments				
Loan commitments	461	235	276	972
Total	461	235	276	972
Revenue and expense				
Interest income	36	46	34	116
Interest expense	-4	-1	-1	-6
Insurance premiums	217	162		379
Fee and commission income	4	6	2	12
Other expenses			-4,764	-4,764
Total	253	213	-4,730	-4,264

* Including key management personnel and their close family members
** Including entities which the key management personnel or their close family members control

NOTE 22: MATERIAL EVENTS AFTER THE CLOSING TIME

The Savings Banks Group and Cognizant announced on 1 February 2022 that they will terminate their agreement related to the core banking system renewal signed in 2019. Cognizant will pay compensation to the Savings Banks Group for the termination of the agreement. The termination of the agreement will have a positive impact on the Savings Banks Group's operating profit for 2022. The Savings Bank Group is determined to continue the development of the core banking system. The termination of the agreement does not affect the services of the Savings Bank Group's customers.

On 4 February 2022, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

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