SAVINGS BANKS AMALGAMATION'S PILLAR 3 DISCLOSURE REPORT

31.12.2023

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INTRODUCTION

The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 14 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank, Sp-Fund Management Company Ltd Plc as well the companies within the consolidation groups of the above-mentioned entities ow which Savings Bank Services Ltd is 100% owned by Säästöpankkiliitto osk. The structure of the Group differs from that of the Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy.

Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. According to the accounting principles confirmed by Savings Banks' Union Coop, Lieto Savings Bank's result for 2023 is included in the Savings Banks Group's result until the date of the demerger. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

This report discloses information on the risk management, governance, remuneration, capital adequacy calculation, leverage ratio, asset encumbrance, liquidity coverage ratio, net stable funding ratio, forborne and non-performing exposures of the amalgamation as specified in the Capital Requirements Regulation of the European Parliament and Council No. 573/2013 (CRR) (Pillar III disclosures).

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

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

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

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

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

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

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

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

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

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

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

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

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

The key tools in monitoring liquidity risk at the Amalgamation level are cash position, liquidity reserve and LCR. At the end of 2023, the Amalgamation held 1,841(1,586) million euros (before haircuts) of LCR eligible liquid assets. The Amalgamation's LCR was 226% (144%) at the end of 2023. Net stable funding ratio (NSFR) was 127 (126) %, well above the regulatory requirement (100%). Available stable funding was approximately EUR 10,126.2 (10,745.1) million and required stable funding was EUR 7,985.3 (8,558.3) million. On 20 October 2023, 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 is stable.

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

At the end of 2023, the CET1 capital ratio of the Savings Banks Amalgamation was 19.5% (18.7%) and the capital ratio was 19.5% (18.7%). The capital structure of the Savings Banks Amalgamation is strong, and it significantly exceeded the regulatory capital requirement, which was 12.05% (12.03%) of the total amount of risk-weighted exposures at the end of 2023. The Board of Directors of the Central institution has set a target level of CET1 capital. For the coming strategic period, the long-term target level of CET1 capital is 17%.

TABLE EU KM1 – KEY METRICS TABLE

(EUR 1,000)		31.12.2023	30.6.2023	31.12.2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,031,404	985,716	1,090,504
2	Tier 1 capital	1,031,404	985,716	1,090,504
3	Total capital	1,034,419	988,889	1,090,533
	Risk-weighted exposure amounts			
4	Total risk exposure amount	5,302,169	5,180,362	5,837,252
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	19.45%	19.03%	18.68%
6	Tier 1 ratio (%)	19.45%	19.03%	18.68%
7	Total capital ratio (%)	19.51%	19.09%	18.68%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50%	1.50%	1.50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.84%	0.84%	0.84%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.13%	1.13%	1.13%
EU 7d	Total SREP own funds requirements (%)	9.50%	9.50%	9.50%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.05%	0.03%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.55%	2.55%	2.53%
EU 11a	Overall capital requirements (%)	12.05%	12.05%	12.03%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.01%	9.59%	9.18%

TABLE EU KM1 – KEY METRICS TABLE

(EUR 1,000)		31.12.2023	30.6.2023	31.12.2022
	Leverage ratio			
13	Total exposure measure	12,376,045	11,876,254	13,194,516
14	Leverage ratio (%)	8.33%	8.30%	8.26%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio*			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,569,686	1,439,311	1,415,482
EU 16a	Cash outflows - Total weighted value	862,159	1,014,663	1,082,500
EU 16b	Cash inflows - Total weighted value	80,321	128,619	119,629
16	Total net cash outflows (adjusted value)	781,838	886,045	962,871
17	Liquidity coverage ratio (%)	202.49%	176.51%	158.97%
	Net Stable Funding Ratio			
18	Total available stable funding	10,126,196	9,607,678	10,745,141
19	Total required stable funding	7,985,306	7,701,984	8,558,332
20	NSFR ratio (%)	126.81%	124.74%	125.55%

* June 2023 and December 2023 figures on the the rows 15-17 have been amended after their initial disclosure.

In Helsinki, 14 February 2024

The Board of Directors of the Savings Banks' Union Coop

Pirkko Ahonen Chairman of the Board	Jari Oivo Vice Chairman of the Board	
Ulf Sjöblom	Tuula Heikkinen	Eero Laesterä
Hannu Syvänen	Heikki Paasonen	Simo Leisti
Veli-Pekka Mattila		

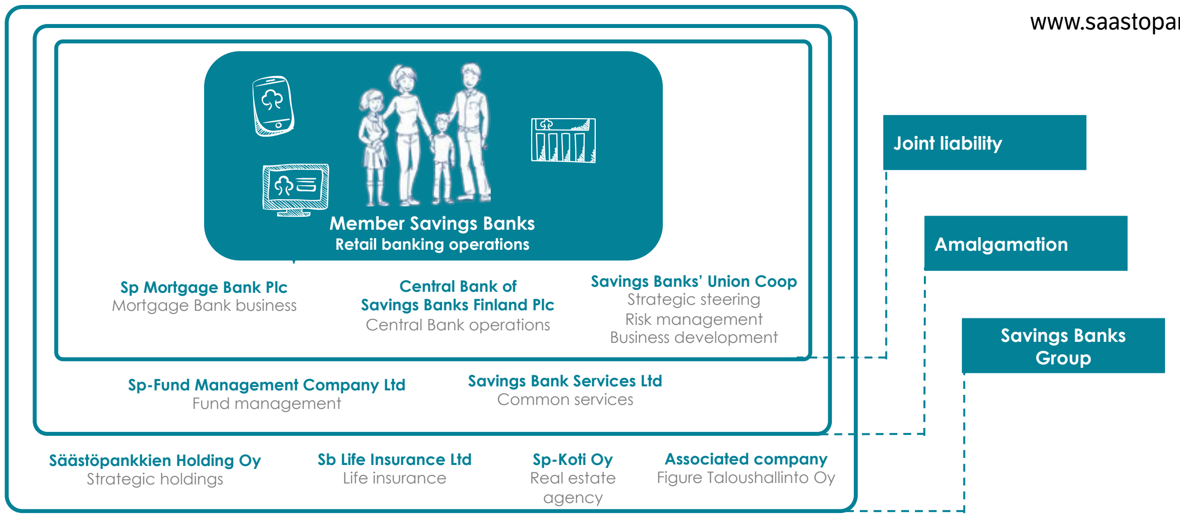
2. SAVINGS BANKS GROUP AND SAVINGS BANKS AMALGAMATION

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

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 14 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.

Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. According to the accounting principles confirmed by Savings Banks' Union Coop, Lieto Savings Bank's result for 2023 is included in the Savings Banks Group's result until the date of the demerger. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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



3. INFORMATION ON CORPORATE GOVERNANCE

3.1. GOVERNANCE STRUCTURE

Savings Banks' Union Coop General Meeting

The highest decision-making authority in the Savings Banks' Union Coop (hereinafter the "Central Institution") belongs to the members participating in the general meeting. The general meeting confirms the service and extra fees collected from the members.

Supervisory Board

The 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 13 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 Ab). The members of the Supervisory Board are primarily chairmen of the Boards of Directors of Savings Banks and their deputies are deputy chairmen of the Boards of Directors of Savings Banks.

The function of the Board of Supervisors is to oversee the administration of the central institution, which is the responsibility of the Board of Directors and CEO, and to ensure that the operation of the central institution is conducted competently and diligently in accordance with the Cooperatives Act and for the benefit of the central institution and the Savings Banks Group. Among other things, the Board of Supervisors approves Savings Banks Group's operating principles, strategy, solvency management principles and other general guiding principles based on the Board of Directors' proposal.

The Board of Supervisors has approved an agenda that specifies the duties and meeting practices of the Board of Supervisors.

Board of Directors

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

According to the rules of Savings Banks' Union Coop, the Board of Directors consists of six to nine members. The annual general meeting of the cooperative selects the members for the term of one year. The Chairman and the deputy Chairman are appointed in the organising meeting of the Board of Directors.

The Board of Directors consists primarily of the professional directors or Board members of the Savings Banks. The composition of the Board of Directors ensures the representation of Swedish speaking banks and banks of different sizes, taking into account the responsibility of the member banks of the amalgamation and the willingness and ability of members to promote the competitiveness of the individual banks as well as the entire amalgamation.

The Board of Directors must comply with the regulation set by the Credit Institutions Directive, the Act on Credit Institutions, the European Banking Authority and the Finnish Financial Supervisory Authority regarding fit and proper assessments and independence requirements as far as they are applicable to the amalgamation's Central Institution. Each member of the Board of Directors must present enough accurate information to the Board so that their suitability and independence can be assessed and notify the Board of any changes in such information. Both genders must be represented on the Board of Directors.

Members of the Board of Directors are expected to only participate in Boards of other entities to such an extent that it does not, as evaluated by the Board of Directors, prevent the member from spending enough time and focusing themselves to the matters of the central institution to a sufficient degree. The memberships of Boards of Directors in entities belonging to the Savings Banks Group are considered as one membership in this respect.

The Board of Directors has approved diversity principles 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 composition of the Board and the selection of new member candidates are planned with a long-term view to ensure that the goals set out in the applicable legislation and directives are achieved and that the necessary competencies are represented in the Board of Directors. The Nomination Committee assesses the size, composition and management of duties of the Board regularly and at least annually and may give recommendations concerning changes. The Board of Directors assesses the competence, skills and experience of Board members and the entire Board regularly and at least annually by means of self-assessment. In 2023, approximately 22% of the Board members were women.

In 2023, the members of the Board of Directors were as follows: Pirkko Ahonen (Chairperson), Jari Oivo (Vice Chairperson), Tuula Heikkinen, Eero Laesterä, Simo Leisti, Veli-Pekka Mattila, Heikki Paasonen, Ulf Sjöblom and Hannu Syvänen.

The members of the Board are CEOs or Board members of Savings Banks, with the exception of Tuula Heikkinen, Eero Laesterä and Simo Leisti, who are Board members independent of Savings Banks.

The Board of Directors is tasked with leading the operations of the Central Institution in accordance with the Cooperatives Act, the Act on the Amalgamation of Deposit Banks and the governance policies of the Central Institution. The Board of Directors is responsible for the management of the amalgamation, formulating the strategy of the Savings Banks Group and developing intra-group collaboration.

The Board of Directors has approved an agenda that specifies the duties and meeting practices of the Board of Directors.

Committees

The Central Institution has a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee, for which the Board of Directors has approved rules of procedure.

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

The Remuneration Committee prepares documentation on remuneration principles at the amalgamation level and a remuneration policy for approval by the boards of directors of Savings Banks and the product and service companies. The Remuneration Committee also prepares a salary recommendation concerning the chief executives of the Savings Banks Amalgamation's member credit institutions and other entities.

The Audit Committee assists the Board of Directors of Savings Banks' Union Coop in ensuring that Savings Banks' Union Coop and the Savings Banks Group apply comprehensive and appropriately organised accounting, accounting practices followed in the financial statements and financial reporting. The Committee also supports the Board of Directors in ensuring that the Savings Banks Group employs adequate and appropriately organised internal controls, internal audit systems and audit procedures. Furthermore, it ensures that the operations and internal audits of the company are organised as required by law, regulations and good management and governance practices and supervises the internal audit operations.

The Risk Committee assists the Board of Directors of Savings Banks' Union Coop in matters concerning risk strategies and taking of risk and monitoring that the Savings Banks Group complies with the risk strategies as approved by the Board of Directors of Savings Banks' Union Coop. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Savings Banks Group and evaluates the adequacy of the policies, controls and processes related to these risks. The Committee also assists the Remuneration Committee in creating healthy compensation systems.

In addition, the Board of Directors has appointed an Asset and Liability Committee to report, assist and guide the operations included in the area of responsibilities of the Risk Committee and to plan and coordinate the refinancing of the Savings Banks Group in cooperation with the Treasury of the Central Bank of Savings Banks.

Chief Executive Officer

The Board of Directors elects the Central Institution's Managing Director and their deputy. The CEO is charged with the day-to-day governance of the central institution in accordance with the stipulations of the Cooperatives Act, implementation of the Savings Banks Group strategy in accordance with the directions and orders of the Board of Directors, preparation of matters to be proposed to the Board, and assisting the Board in preparing matters for presentation to the Board of Supervisors and the cooperative meeting.

The CEO of the Central Institution was Karri Alameri. Kai Koskela served as the deputy CEO.

Audit

The Central Institution has one auditor, which must be a firm of authorised public accountants approved by the Finland Chamber of Commerce. The auditor also audits the consolidated financial statement as referred to in the Act on the Amalgamation of Deposit Banks.

The auditor is appointed by the General Meeting of the Savings Banks' Union Coop. The auditor's term of office ends at the close of the next ordinary General Meeting following their selection.

KPMG Oy Ab, a firm of authorised public accountants, is the auditor of the Central Institution of the Savings Banks Group. The chief auditor designated by the firm is Mikko Kylliäinen, Authorised Public Accountant.

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

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

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

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

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

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

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

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

– The achievement of goals and objectives

– Economical and efficient processes

– Management of risks related to operations

– The reliability and validity of financial and other management information

– Compliance management

– Adequate security of operations and data as well as company and customer assets, and

– Appropriate and adequate manual and automated information systems in support of business operations.

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

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

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

– Independent Risk Control

– Compliance

– Internal audit

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

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

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

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

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

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

– Developing and maintaining measures, guidelines and instructions leading to reliable governance that enables efficient risk management, internal controls commensurate with Amalgamation operations and secure functioning of the controls

– Reporting on and controlling the quality and development of various risk areas

– Ensuring efficient and all-around functioning of the practical measures of internal controls

– Ensuring that any shortcomings and development needs of internal control are documented and reported for corrective actions to the members of the management responsible for internal control in each entity, and

– Ensuring that the Central Institution's Board of Directors and Supervisory Board are aware of the functioning of the internal controls and can verify their own responsibilities in an efficient and comprehensive manner

Tasks and control measures have been defined for the management of the entities belonging to the Amalgamation, with which internal control is implemented. Internal control is supported by appropriate reporting, which is used to monitor the quality, scale and diversity of operations, and by descriptive reporting to monitor operations, performance and risks associated with operations. Reporting shall be reliable, clear and up to date. Reporting on financial, risk management and compliance activities is prepared centrally and separately from business activities.

3.3. REMUNERATION

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

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

Remuneration systems refer to the decisions, contracts, policies and procedures that are followed in the remuneration of the management and personnel. The remuneration system includes both the remuneration method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure the Amalgamation's competitiveness, good financial performance, incentivisation, employee commitment and the availability of new competent personnel. The Savings Banks Amalgamation sees the remuneration system as a comprehensive package that supports the motivation and job satisfaction of the personnel. It is used to guide the operations towards the common goals. The remuneration system is adapted to the interests of the customers and includes measures to avoid conflicts of interest. The remuneration system and all related conditions are gender-neutral.

The remuneration system is consistent with the good and efficient risk management of the member credit institutions and member companies of the Amalgamation and is always implemented within the framework of the Amalgamation's current risk-management principles.

Remuneration does not encourage risk-taking that would exceed the sustainable risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the Savings Banks' Union Coop.

The remuneration system ensures that it is consistent with the consideration of sustainability risks. Sustainability risk refers to an event or situation related to environment, social responsibility or governance, which, if realised, may cause a material, negative effect on the value of the investment. Consideration of sustainability risks in remuneration means, among other things, that remuneration cannot be inconsistent with responsible investment, or investment and insurance advice.

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

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

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

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

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

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

The remuneration of functions independent of business operations is controlled by the board of the member credit institution, member company or the Central Institution. Such variable part of remuneration may not depend on the outcome of the business unit which they control but must be based on the achievement of the goals set for the control. In this way, the objectivity or independence of the function is not jeopardised and conflicts of interest are not created.

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

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

TABLE EU REM1 – REMUNERATION AWARDED FOR THE FINANCIAL YEAR

31.12.2023 (EUR 1,000)			a	b	c	d				
						Other identified staff				
			MB Supervisory function	MB Management function	Other senior management	Total	Retail	Asset management	Corporate functions	Independent internal control functions
1	Fixed remunation	Number of identified staff	13	9	10	81	67	2	0	12
2		Total fixed remuneration	66	1,002	1,734	8,463	7,120	358		985
3		Of which: cash-based	66	1,002	1,734	8,463	7,120	358		985
9	Variable remunation	Number of identified staff	13	9	10	81	67	2	0	12
10		Total variable remuneration		78	361	1,115	928	60		126
11		Of which: cash-based		78	361	1,115	928	60		126
17	Total remuneration (2 + 10)		66	1,080	2,095	9,578	8,048	418		1,112

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

31.12.2023 (EUR 1,000)		a	b	c	e	f	g	h	j
		Management body remuneration			Business areas				
		MB Supervisory function	MB Management function	Total MB	Retail banking	Asset management	Corporate functions	Independent internal control functions	Total
1	Total number of identified staff	13	9	22	71	2	5	13	113
2	Of which: members of the MB	13	9	22					
3	Of which: other senior management				4	0	5	1	
4	Of which: other identified staff				67	2		12	
5	Total remuneration of identified staff	66	1,080	1,146	8,700	418	1,250	1,305	12,819
6	Of which: variable remuneration		78	78	1,058	60	195	162	1,553
7	Of which: fixed remuneration	66	1,002	1,068	7,642	358	1,055	1,143	11,266

4. INFORMATION ON RISK MANAGEMENT

4.1. GENERAL PRINCIPLES AND OBJECTIVES FOR RISK MANAGEMENT

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

The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range of Savings Banks is complemented by the centralised products and services produced by the product companies belonging to the Savings Banks Group. The most significant product companies of the Savings Banks Group are the Central Bank of Savings Banks, Sp Mortgage Bank Plc, Sb Life Insurance, Sp-Fund Management Company, Savings Bank Services Ltd and Sp-Koti.

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

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

The objective of the Savings Banks Amalgamation's risk management is to identify the threats and opportunities affecting the implementation of the Savings Banks Amalgamation's strategy.

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

The Savings Banks Amalgamation has reliable corporate governance ensuring effective risk management as well as an adequate internal control and risk management framework. The corporate governance, internal control and risk management framework must comply with legislation and the regulations and guidelines issued by the authorities. The principles of corporate governance and internal control are described in more detail in the note to the financial statements concerning corporate governance policies.

The Savings Banks Group's operations include retail banking, central banking, mortgage banking, investment and life insurance operations as well as a real estate agency. The most significant risks affecting the banking segment are credit, interest rate and liquidity risks. The life insurance business is affected by market, insurance and counterparty risks. Business and operational risks, including legal and compliance risks, arise within all business areas.

4.2. RISK MANAGEMENT PRINCIPLES AND GOVERNANCE

Risk management is defined as the identification, assessment, quantification, limitation and monitoring of risks caused by business operations and closely related risks. The purpose of risk management is to minimise the likelihood of unforeseeable losses or reputational risk in order to ensure the implementation of the Group's strategy.

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

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

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

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

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

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

- Independent Risk Control

- Compliance function

- Internal audit

The task of the Independent Risk Control unit is to ensure and monitor that the risk management framework of the Savings Banks Amalgamation is adequate in relation to the nature, scale, complexity and risk level of the Savings Banks Amalgamation's business operations. The risk control function assists the Board of Directors and senior management of the Savings Banks Amalgamation in organising an adequate risk management framework and monitoring the functionality and effectiveness of the risk management framework.

The Compliance unit ensures that the Savings Banks Amalgamation complies with the applicable legislation and the regulations and guidelines issued by the authorities. The Compliance unit is also responsible for monitoring that the Savings Banks Amalgamation complies with internal guidelines, the ethical guidelines issued to the personnel and other guidelines applied within the financial markets.

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

Chart: Risk management governance of the Central Institution

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

The Savings Banks Amalgamation's risk control function maintains and develops methods for managing risks within the Central Institution. This ensures that all, even new, fundamental but previously unidentified risks are covered by the risk management 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 well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of 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.

5. CAPITAL ADEQUACY, LEVERAGE RATIO AND MREL-REQUIREMENTS

5.1. CAPITAL ADEQUACY MANAGEMENT

The objective of the capital adequacy management process is to ensure that the quantity and quality of capital are adequate and in proportion with the nature, scale and complexity of the Savings Banks Amalgamation's operations and with all the risks arising from its business operations and operating environment. To achieve this objective, the Savings Banks Amalgamation identifies and assesses the risks associated with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks. The internal capital requirements specified through the capital adequacy management are based on the capital requirements under Pillar I and risks outside Pillar I, such as the interest rate risk of the banking book, the market risk of the investment portfolio and business risk. In the internal assessment process, the Savings Banks Amalgamation estimates the amount of capital needed to cover any unforeseen losses resulting from risks outside of Pillar I.

The Board of Directors of the Central Institution has overall responsibility for the management of the Savings Banks Amalgamation's capital adequacy. The Board of Directors of the Central Institution approves the basis, objectives and principles for the Savings Banks Amalgamation's capital adequacy management. The Board of Directors also confirms the overall requirements for the measurement and assessment of capital adequacy and the overall principles for the management process of capital adequacy. In practice, this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the Savings Banks Amalgamation's business operations and changes in the operating environment. The capital adequacy, liquidity and customer risks of the entities belonging to the Savings Banks Amalgamation are monitored on a consolidated basis at the Amalgamation level.

The Board of Directors of the Central Institution has set a threshold for the capital ratio that is monitored on a quarterly basis. The long-term minimum requirement for CET1 capital is 17%.

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

The Savings Banks Amalgamation's capital contingency plan has been drawn up in order to be prepared for unforeseeable events that may jeopardise its capital adequacy. The capital contingency plan includes target and follow-up levels set by the Board of Directors for the quantity and quality of the capital, which are monitored and controlled on a quarterly basis. The capital continuity plan describes the measures that the executive management and the Board can take if the threshold set for the solvency ratio is breached.

5.2. CAPITAL ADEQUACY

At the end of December 2023, the Savings Banks Amalgamation had a strong capital structure, consisting almost entirely of CET1 capital. Total own funds were EUR 1,034.4 (1,090.5) million, of which CET1 capital accounted for EUR 1,031.4 (1,090.5) million. The Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital amounted to EUR 3.0 (0.03) million, consisting of debentures in the financial year. Risk-weighted assets amounted to EUR 5.302.2 (5,837.3) million, a decrease of 9.2% compared to the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 19.5% (18.7%), and the CET1 capital ratio was 19.5% (18.7%). The decrease in own funds and risk-weighted receivables relative to the end of 2022 is attributable to Lieto Savings Bank exiting the Savings Bank Amalgamation. During the period under review, capital adequacy was improved by the profit for the period and the increased value of investment portfolio items measured through comprehensive income.

Basel III amendments to the EU's Capital Requirements Regulation (CRR3), which are intended to enter into force from the beginning of 2025, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation.

CAPITAL ADEQUACY'S MAIN ITEMS

Own Funds (EUR 1,000)	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,089,412	1,138,741
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-55,909	-48,237
Common Equity Tier 1 (CET1) capital	1,031,404	1,090,504
Tier 1 capital (T1 = CET1 + AT1)	1,031,404	1,090,504
Tier 2 (T2) capital before regulatory adjustments	3,015	28
Tier 2 (T2) capital	3,015	28
Total capital (TC = T1 + T2)	1,034,419	1,090,533
Risk weighted assets	5,302,169	5,837,252
of which: credit and counterparty risk	4,642,885	5,237,903
of which: credit valuation adjustment (CVA)	37,250	23,115
of which: market risk		
of which: operational risk	622,034	576,235
Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.5%	18.7%
Tier 1 (as a percentage of total risk exposure amount)	19.5%	18.7%
Total capital (as a percentage of total risk exposure amount)	19.5%	18.7%
Capital requirement		
Total capital	1,034,419	1,090,533
Capital requirement total*	638,827	702,048
of which: Pillar 2 additional capital requirement	79,533	87,559
Capital buffer	395,592	388,485

* 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 1.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

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

5.3. CAPITAL ADEQUACY REQUIREMENTS AND CALCULATION METHODS

The standard method is used to calculate the capital requirement to the credit and counterparty risk of the Savings Banks Amalgamation and the capital requirement to the operational risk is calculated by the basic method. Capital requirement to the credit valuation adjustment (CVA) is calculated by the standardized method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. The Savings Banks Amalgamation does not have a trading book and the amalgamation's business does not involve taking commodity risk. Risk weighted assets (TREA, total risk exposure amount) and 8% minimum requirement based on risk weighted assets are stated in the table EU OV1. A major part of the risk weighted assets of the Amalgamation consists of credit and counterparty risk (88%). The rest of the risk weighted assets consists of operational risk (9%) and credit valuation adjustment (1%).

EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

		Total risk exposure amounts (TREA)		Total own funds requirements
(EUR 1,000)		31.12.2023	31.12.2022	31.12.2023
1	Credit risk (excluding CCR)	4,637,322	5,233,815	370,986
2	Of which the standardised approach	4,637,322	5,233,815	370,986
6	Counterparty credit risk - CCR	42,813	27,203	3,425
7	Of which standardised approach	5,563	4,088	445
EU 8b	Of which credit valuation adjustment - CVA	37,250	23,115	2,980
9	Of which other CCR			
15	**Settlement risk**			
20	**Position, foreign exchange and commodities risks (Market risk)**			
21	Of which the standardised approach			
23	Operational risk	622,034	576,235	49,763
EU 23a	Of which basic indicator approach	622,034	576,235	49,763
29	Total	5,302,169	5,837,252	424,174

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

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

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
31.12.2023 (EUR 1,000)		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	311,766	313,736	369,753	49,763	622,034

Rows 2-5 are not disclosed as there is no reporting in these rows.

The capital requirement of the Savings Banks Amalgamation was EUR 638.8 (702.0) that equals to 12,0% (12%) of risk-weighted assets. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8% minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures. Further information on the country-specific countercyclical capital requirement is disclosed in the tables EU CCyB1 and EU CCyB2.

COMBINED CAPITAL REQUIREMENT, %

31.12.2023	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4.50	0.84	2.50	0.05	7.89
AT1	1.50	0.28			1.78
T2	2.00	0.38			2.38
Total	8.00	1.50	2.50	0.05	12.05

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

		a	f	g	j	k	l	m
		General credit exposures		Own fund requirements				
31.12.2023 (EUR 1,000)		Exposure value under the standardised approach	Total exposure value	Relevant credit risk exposures – Credit risk	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010	**Breakdown by country:**							
	Denmark	16,114	16,114	1,126	1,126	14,077	0.31%	2.50%
	Norway	14,774	14,774	771	771	9,634	0.21%	2.50%
	Sweden	49,091	49,091	3,419	3,419	42,732	0.93%	2.00%
	Czech Republic	1,286	1,286	73	73	909	0.02%	2.00%
	Iceland	370	370	10	10	130	0.00%	2.00%
	Bulgaria	3	3			2	0.00%	2.00%
	Estonia	2,742	2,742	110	110	1,381	0.03%	1.50%
	Slovakia	559	559	4	4	56	0.00%	1.50%
	Netherlands	46,435	46,435	3,606	3,606	45,074	0.98%	1.00%
	Ireland	4,687	4,687	207	207	2,582	0.06%	1.00%
	Lithuania	64	64	2	2	27	0.00%	1.00%
	Croatia	2	2			2	0.00%	1.00%
	Romania						0.00%	1.00%
	Germany	16,105	16,105	1,140	1,140	14,246	0.31%	0.75%
	France	23,360	23,360	1,618	1,618	20,231	0.44%	0.50%
	Luxemburg	10,304	10,304	778	778	9,727	0.21%	0.50%
	Other	9,329,587	9,329,587	354,607	354,607	4,432,590	96.50%	0.00%
020	Total	9,515,485	9,515,485	367,472	367,472	4,593,401	100.00%	

Columns b-e and h-l are not disclosed as there is no reporting in these columns.

TABLE EU CCYB2 – AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

(EUR 1,000)		31.12.2023
1	Total risk exposure amount	5,302,169
2	Institution specific countercyclical capital buffer rate	0.05%
3	Institution specific countercyclical capital buffer requirement	2,566

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5 (1.5) %. 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.

In March 2023, the Financial Supervisory Authority decided to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation. The decision will enter into effect on 1 April 2024.

In addition, the Financial Supervisory Authority has not set in 2023 the countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Savings Banks Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level.

In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Savings Banks Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

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

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

TABLE EU INS1 – INSURANCE PARTICIPATIONS

31.12.2023 (EUR 1,000)		Exposure value	Risk exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	23,685	59,213

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

5.4. LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation remained steady and was 8.3% (8.3%) clearly exceeding the 3% minimum requirement. 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. The risk of excessive leverage is managed as part of the capital management process. The development of the leverage ratio is estimated based on the Group's business plan and stress scenarios. The expected development of the leverage ratio is taken into account when setting the target and threshold levels for capital adequacy.

LEVERAGE RATIO

(EUR 1,000)	31.12.2023	31.12.2022
Tier 1 Capital	1,031,404	1,090,504
Total leverage ratio exposures	12,376,045	13,194,516
Leverage ratio	8.3%	8.3%

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

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

31.12.2023 (EUR 1,000)		Applicable amount
1	Total assets as per published financial statements	13,206,415
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-1,076,825
8	Adjustment for derivative financial instruments	80,529
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	223,621
12	Other adjustments	-57,694
13	Total exposure measure	12,376,045

The rows 3-7, 9 and 11, 11a and 11b not disclosed as there is no reporting in these rows.

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

31.12.2023 (EUR 1,000)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	12,106,628
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	12,106,628
EU-4	Covered bonds	21,084
EU-5	Exposures treated as sovereigns	1,763,865
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	6,709
EU-7	Institutions	191,152
EU-8	Secured by mortgages of immovable properties	6,561,781
EU-9	Retail exposures	1,736,888
EU-10	Corporates	1,363,231
EU-11	Exposures in default	167,607
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	294,310

TABLE EU LR2 – LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

(EUR 1,000)		CRR leverage ratio exposures 31.12.2023	CRR leverage ratio exposures 31.12.2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	12,106,628	12,799,383
6	(Asset amounts deducted in determining Tier 1 capital)	-51,383	-44,519
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	12,055,244	12,754,864
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	53,817	79,772
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	43,363	51,115
13	Total derivatives exposures	97,180	130,888
Securities financing transaction (SFT) exposures			
18	Total securities financing transaction exposures		
Other off-balance sheet exposures			
20	(Adjustments for conversion to credit equivalent amounts)	223,621	308,764
22	Off-balance sheet exposures	223,621	308,764
Excluded exposures			
EU-22k	(Total exempted exposures)		
Capital and total exposure measure			
23	Tier 1 capital	1,031,404	1,090,504
24	Total exposure measure	12,376,045	13,194,516
Leverage ratio			
25	Leverage ratio (%)	8.33%	8.26%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.33%	8.26%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.33%	8.26%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
Disclosure of mean values			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12,376,045	13,194,516
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	12,376,045	13,194,516
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.33%	8.26%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.33%	8.26%

The rows 2-5, EU-8a, EU9a-12, 14-19, 22a-22j and 27b-29 are not disclosed as there is no reporting in these rows.

5.5. MREL-REQUIREMENT

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). In May 2023, the Financial Stability Authority decided to set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement pursuant to the previous decision is valid until 31 December 2023. 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 2 type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, 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, until 31 December 2023, and effective from 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and effective from 1 January 2024, it is 15.72% of the total risk exposure 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 must be met on an ongoing basis.

6. RISKS IN THE BANKING SEGMENT

6.1. CREDIT AND COUNTERPARTY RISKS

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

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

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

6.1.1. Management and measurement of credit risk

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

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

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

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

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

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

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

6.1.2. Doubtful exposures

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

Delayed payment refers to the customer's receivables being overdue for 30-89 days and the customer being a potential problem customer. The Savings Banks Amalgamation's delayed receivables remained at a moderate level of 0.6 per cent (0.5) of the credit portfolio in 2023.

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

31.12.2023 (EUR 1,000)		Gross carrying amount
010	Initial stock of non-performing loans and advances	185,903
020	Inflows to non-performing portfolios	97,060
030	Outflows from non-performing portfolios	-59,326
040	Outflows due to write-offs	-6,669
050	Outflow due to other situations	-52,657
060	Final stock of non-performing loans and advances	223,637

A loan that meets at least one of the following criteria is classified as a non-performing receivable: the loan is classified as being in default, the loan is in ECL stage 3 or the loan has a non-performing forborne exposures. The Amalgamation's non-performing receivables amounted to 2.3 (1.9) per cent of the credit portfolio at the end of the year. The number of non-performing receivables increased during 2023, but remains at a moderate level.

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

The internal definition of the forborne exposures corresponds to the regulatory definition. Receivables whose terms have been renegotiated due to the customer's deteriorated ability to pay are reported as forborne exposures. In certain circumstances, when a debtor experiences financial difficulty, the customer is granted a concession on the terms of the loan in the form of an instalment-free period or restructuring the liability. The aim is to ensure the customer's ability to pay and avoid potential credit losses. Granting forbearance is conditional on the customer's financial difficulties being short-term and temporary. The Savings Banks Amalgamation's forborne exposures decreased during 2023 and amounted to 1.3% (1.3%) per cent of the credit portfolio at the end of the year.

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

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

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accu-mulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On per-forming exposures	On non-per-forming exposures
31.12.2023 (EUR 1,000)			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	1,447,760	1,447,760													
010	Loans and advances	9,568,948	8,296,416	1,272,532	223,637	2,552	218,051	-12,994	-4,749	-8,245	-36,581	-49	-36,530	-2,742	9,099,655	172,742
020	Central banks	69,061	69,061													
030	General governments	9,750	9,750					-10	-10						1,260	
040	Credit institutions	91,544	91,544					-273	-273							
050	Other financial corporations	38,038	38,029	9				-17	-17						34,963	
060	Non-financial corporations	2,380,044	1,840,989	539,055	59,203	267	58,926	-3,889	-845	-3,044	-11,817	-3	-11,814	-1,329	2,315,708	43,454
070	Of which SMEs	2,346,637	1,818,705	527,932	58,273	267	57,996	-3,786	-834	-2,952	-11,799	-3	-11,796	-1,329	2,282,557	42,571
080	Households	6,980,510	6,247,041	733,468	164,434	2,285	159,125	-8,805	-3,604	-5,201	-24,764	-46	-24,716	-1,413	6,747,724	129,288
090	Debt securities	667,789	618,883	6,882				-3,227	-1,233	-1,994					108,461	
100	Central banks															
110	General governments	254,270	253,663					-166	-166						6,109	
120	Credit institutions	69,522	68,017					-117	-117						22,746	
130	Other financial corporations	57,213	22,654					-3	-3						4,787	
140	Non-financial corporations	286,784	274,550	6,882				-2,941	-947	-1,994					74,820	
150	Off-balance-sheet exposures	675,313	641,644	33,670	3,628	212	1,838	844	549	295	266		266		297,742	816
160	Central banks															
170	General governments	343	343												333	
180	Credit institutions	2,304	2,304					15	15							
190	Other financial corporations	3,128	1,137	1,991				2	1	1					1,442	
200	Non-financial corporations	319,960	300,733	19,227	2,284		926	431	225	206	70		70		202,714	349
210	Households	349,578	337,127	12,451	1,345	212	912	396	308	88	197		196		93,253	467
220	Total	12,359,810	11,004,703	1,313,084	227,266	2,764	219,889	-17,066	-6,531	-10,535	-36,847	-50	-36,796	-2,742	9,505,858	173,558

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
31.12.2023 (EUR 1,000)			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,447,760	1,447,760										
010	Loans and advances	9,568,948	9,519,702	49,246	223,637	132,865	21,778	18,506	19,530	23,173	4,098	3,687	200,482
020	Central banks	69,061	69,061										
030	General governments	9,750	9,750										
040	Credit institutions	91,544	91,544										
050	Other financial corporations	38,038	38,038										
060	Non-financial corporations	2,380,044	2,365,131	14,914	59,203	35,725	6,271	2,727	5,104	7,198	1,722	456	50,103
070	Of which SMEs	2,346,637	2,331,723	14,914	58,273	35,725	6,271	2,727	4,174	7,198	1,722	456	49,173
080	Households	6,980,510	6,946,177	34,333	164,434	97,140	15,508	15,779	14,426	15,975	2,376	3,230	150,378
090	Debt securities	667,789	667,789										
100	Central banks												
110	General governments	254,270	254,270										
120	Credit institutions	69,522	69,522										
130	Other financial corporations	57,213	57,213										
140	Non-financial corporations	286,784	286,784										
150	Off-balance-sheet exposures	675,313			3,628								3,209
160	Central banks												
170	General governments	343											
180	Credit institutions	2,304											
190	Other financial corporations	3,128											
200	Non-financial corporations	319,960			2,284								1,963
210	Households	349,578			1,345								1,246
220	Total	12,359,810	11,635,251	49,246	227,266	132,865	21,778	18,506	19,530	23,173	4,098	3,687	203,690

TABLE EU CQ1: CREDIT QUALITY OF FORBORNE EXPOSURES

31.12.2023 (EUR 1,000)		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**								
010	Loans and advances	59,035	65,089	59,940	62,605	-404	-8,125	110,883	53,763
060	Non-financial corporations	11,383	11,556	10,890	11,290	-58	-2,052	19,640	8,900
070	Households	47,652	53,533	49,050	51,315	-346	-6,074	91,243	44,864
090	Loan commitments given	122	57	51	54	2	9	136	39
100	Total	59,156	65,146	59,991	62,659	-406	-8,134	111,019	53,803

The rows 020-050 and 080 are not disclosed as there is no figures in these rows.

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

31.12.2023 (EUR 1,000)		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
020	Other than PP&E	642	-30
030	Residential immovable property	256	-15
040	Commercial Immovable property	386	-15
080	Total	642	-30

The rows 050-070 are not disclosed as there is no figures in these rows.

6.1.3. Credit portfolio

The loan portfolio of the Banking segment was EUR 9,602 (10,356) million at the end of 2023, representing a decrease of -7.3% compared to the end of 2022. Liedon Säästöpankki's withdrawal from the Group was a factor in the decrease. Of the lending included on the balance sheet, 67.1% (67.7%) was to private customers, 16.2% (15.3%) to corporate customers, 8.9% (9.1%) to housing corporations and 7.8% (7.9%) to agricultural entrepreneurs and other customers.

BREAKDOWN OF LOANS BY CUSTOMER GROUPS

Customer group (EUR 1,000)	31.12.2023	31.12.2022	Change %
Retail customers	6,439,965	7,013,333	-8.2%
SME corporate customers	1,555,653	1,583,424	-1.8%
Housing corporations	856,480	944,437	-9.3%
Agricultural and other customers	749,554	814,936	-8.0%
Total	9,601,652	10,356,130	-7.3%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Mortgage lending totalled EUR 5,630.9 (6,117.6) million at the end of 2023. The mortgage loan portfolio decreased by -8.0% (3.8%) during the year. Liedon Säästöpankki's withdrawal from the Group was a factor in the decrease.

Lending to retail customers is mainly granted against residential collateral and, where necessary, other collateral types are also used.

Lending to retail customers is operated via the balance sheets of the Savings Banks and the Sp Mortgage Bank excluding the credit cards and unsecured consumer credits operated by the Central Bank of Savings Banks.

The credit portfolio mainly consists of well-collateralised contracts and a large part of the portfolio is significantly overcollateralised. Lending to retail customers is mainly granted against residential collateral and, where necessary, other types of fixed property can be used.

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

TABLE EU CR1-A: MATURITY OF EXPOSURES

		a	b	c	d	e	f
		Net exposure value					
31.12.2023 (EUR 1,000)		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	97,769	330,549	778,835	8,369,384	166,474	9,743,011
2	Debt securities		127,793	438,548	63,660	34,560	664,561
3	Total	97,769	458,342	1,217,383	8,433,044	201,034	10,407,572

Retail portfolio

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

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

RETAIL EXPOSURES BY RATING DISTRIBUTION*

	31.12.2023				% of portfolio	
Description (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**31.12.2023**	**31.12.2022**
1 Excellent	774,411	1,682	0	776,092	12.1%	12.2%
2 Good	1,599,584	3,528	0	1,603,111	24.9%	25.6%
3 Good	1,957,424	26,768	0	1,984,192	30.8%	30.6%
4 Average	688,755	39,847	0	728,602	11.3%	11.0%
5 Average	281,478	41,263	0	322,741	5.0%	4.7%
6 Weak	185,128	105,351	0	290,479	4.5%	4.5%
7 Past due but not impaired	80,514	83,706	0	164,219	2.6%	2.5%
8 Past due but not impaired	44,241	137,286	0	181,528	2.8%	2.7%
9 Past due but not impaired	45,148	218,621	130	263,900	4.1%	4.6%
D Non-performing	0	0	125,101	125,101	1.9%	1.4%
Total	5,656,683	658,052	125,231	6,439,965	100.0%	100.0%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Credit ratings of the retail customers are mainly good. The growth in private customers' credit portfolio is in the better credit ratings (1-4).

Corporate portfolio

In corporate lending, the Savings Banks target micro and small businesses, self-employed entrepreneurs and forestry and agricultural customers as well as public sector operators that are mainly located within the operating area of each Savings Bank.

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

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

Self-employed entrepreneurs and sole traders are mainly classified as part of retail exposures. Corporate customers include limited liability companies, joint-stock companies and limited partnerships, associations and public entities.

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

CORPORATE EXPOSURES BY RATING DISTRIBUTION*

	31.12.2023				% of portfolio	
Description (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**31.12.2023**	**31.12.2022**
1 Excellent	136,993	3,703	0	140,696	4.5%	4.9%
2 Good	174,039	1,095	0	175,133	5.5%	5.3%
3 Good	287,534	12,471	0	300,005	9.5%	9.0%
4 Average	716,919	31,264	0	748,183	23.7%	27.5%
5 Average	562,684	69,586	0	632,270	20.0%	19.9%
6 Weak	373,564	153,874	1,249	528,687	16.7%	16.6%
7 Past due but not impaired	196,763	233,389	0	430,152	13.6%	11.6%
8 Past due but not impaired	9,644	94,420	0	104,063	3.3%	2.6%
9 Past due but not impaired	3,903	10,172	0	14,076	0.4%	0.5%
D Non-performing	0	0	88,422	88,422	2.8%	2.2%
Total	2,462,042	609,973	89,671	3,161,687	100.0%	100.0%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

The distribution of exposures by risk categories has remained at the previous year's level.

It should be noted that the content of the corporate portfolio shown in the table differs from what it was in the modelling phase.

Concentration risks

Credit risk concentrations may arise when the loan portfolio contains large amounts of loans and other exposures to the following, for example:

- a single counterparty
- groups consisting of single counterparties and their interest groups
- certain industries
- against certain collateral
- with identical maturity
- the same product/instrument

The total amount of credit granted by the Savings Banks Amalgamation or an individual member credit institution to a single customer and/or customer group must not exceed the maximum amounts specified in the Act on Credit Institutions or other legislation, or the regulations issued by the Financial Supervisory Authority or other regulatory authority. The concentration risks caused by an individual counterparty are restricted with limits and guidelines related to the maximum customer exposure both at the Amalgamation level and at the member credit institution level. The Savings Banks Group does not have significant industry-specific risk concentrations or customers whose liabilities exceed the limit of 10% of the Group's own funds set out by the EU Capital Requirements Regulation (large exposures).

The largest counterparties of the Savings Banks Amalgamation are various issuers of sovereign bonds held for the purpose of maintaining liquidity reserves, and derivate counterparties. The 20 largest exposures together account for 2.4% (1.3%) of the total lending portfolio. The largest industries in the credit portfolio for corporate customers are real estate and the basic industries, fisheries and mining sector, which together account for 20.3% (20.1%) of the total credit portfolio.

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

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31.12.2023 (EUR 1,000)			Of which defaulted		
010	Agriculture, forestry and fishing	125,794	3,174	-2,037	
030	Manufacturing	147,935	5,801	-1,898	
060	Construction	213,711	10,004	-1,811	
070	Wholesale and retail trade	157,794	6,816	-1,796	
090	Accommodation and food service activities	75,544	4,158	-1,509	
120	Real estate activities	1,363,136	9,816	-3,089	
130	Professional, scientific and technical activities	83,392	798	-189	
	Other services	271,941	9,538	-3,376	
200	Total	2,439,247	50,103	-15,705	0

Other services include also non-material industries (rows 020, 040-050, 080,100, 110, 140-190).

The table does not include columns b and d because they are not part of the disclosure requirements of the Amalgamation.

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

6.1.4. Information on the credit risk capital requirement calculation

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

The largest exposure classes of the Savings Banks Amalgamation are exposures secured by immovable properties (52%), central governments or central banks (19%), exposures to corporates (12%) and retail exposures (11%). In the capital adequacy calculation in addition to direct exposures also exposures which have government guarantees can be treated as exposures from central government. The same principle also applies to guarantees from Finnish municipalities and all other guarantees which reduce the risk weight of the exposure in the capital adequacy calculation. The major part of the exposures secured by mortgages on immovable property have residential properties as collateral. Exposures secured by mortgages also include exposures which have commercial real estate as collateral. In addition to immovable property collateral, exposure can have financial collaterals such as deposits or securities.

Exposure that does not have collateral which would fulfil the CRR requirements are allocated to retail or corporate exposure classes. In addition, exposure with a guarantee from an externally rated corporate are allocated to the corporate exposure class. The Savings Banks Amalgamation applies external credit rating (Standard & Poor's) to define risk weight for central government and central bank exposures, exposures to institutions and exposures to corporates. The average risk weight of the Savings Banks Amalgamation's exposures was 38% at the end 2023.

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

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

31.12.2023 (EUR 1,000)		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	1,918,374	9,272,397	8,819,295	453,102	
2	Debt securities	556,100	108,461	38,984	69,477	
3	Total	2,474,474	9,380,858	8,858,279	522,580	
4	Of which non-performing exposures	14,315	172,742	164,816	7,926	
EU-5	Of which defaulted	7,135	160,455			

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

31.12.2023 (EUR 1,000)		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
Exposure classes		a	b	c	d	e	f
1	Central governments or central banks	1,745,939		2,348,589	13,884	349	0.01%
2	Regional government or local authorities	14,522	492	38,533	2,372	1,002	2.45%
3	Public sector entities	3,589		3,589		385	10.74%
4	Multilateral development banks	1,880		86,371	437		0.00%
5	International organisations	4,643		4,643			0.00%
6	Institutions	191,152	453	192,593	285	42,185	21.87%
7	Corporates	1,363,231	187,959	1,305,333	67,699	1,133,676	82.57%
8	Retail	1,736,888	366,670	1,051,791	50,417	754,257	68.43%
9	Secured by mortgages on immovable property	6,561,781	121,622	6,561,781	58,775	2,267,351	34.25%
10	Exposures in default	167,607	2,640	154,170	1,509	167,535	107.62%
11	Exposures associated with particularly high risk						-
12	Covered bonds	21,084		21,084		2,108	10.00%
13	Institutions and corporates with a short-term credit assessment						-
14	Collective investment undertakings	44,035		44,035		40,110	91.09%
15	Equity	49,480		49,480		86,375	174.56%
16	Other items	149,411		149,411		141,988	95.03%
17	Total	12,055,244	679,837	12,011,403	195,378	4,637,322	37.99%

TABLE EU CR5 – STANDARDISED APPROACH

31.12.2023 (EUR 1,000)		Risk weight											Total	Of which unrated
		0%	4%	10%	20%	35%	50%	75%	100%	150%	250%	1250%		
Exposure classes		a	c	d	e	f	g	i	j	k	l	n	p	q
1	Central governments or central banks	2,358,678	508	3,287									2,362,473	2,358,678
2	Regional government or local authorities	35,895			5,011								40,905	40,905
3	Public sector entities	1,663			1,927								3,589	3,589
4	Multilateral development banks	86,808											86,808	86,808
5	International organisations	4,643											4,643	4,643
6	Institutions	7			188,357				4,513				192,877	189,869
7	Corporates						100,526		1,272,506				1,373,033	1,272,506
8	Retail exposures							1,102,207					1,102,207	1,102,207
9	Exposures secured by mortgages on immovable property					6,376,840	243,716						6,620,557	6,620,557
10	Exposures in default								131,966	23,713			155,678	155,678
11	Exposures associated with particularly high risk													
12	Covered bonds			21,084									21,084	21,084
13	Exposures to institutions and corporates with a short-term credit assessment													
14	Units or shares in collective investment undertakings	48			8,474				35,261			252	44,035	44,035
15	Equity exposures								24,884		24,596		49,480	49,480
16	Other items	6,927			619				141,865				149,411	149,411
17	Total	2,494,669	508	24,371	204,387	6,376,840	344,243	1,102,207	1,610,995	23,713	24,596	252	12,206,781	12,099,451

The columns b, h and m are not disclosed as there is no reporting in these columns.

6.1.5. Counterparty credit risk

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

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

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

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

The capital requirement for credit valuation risk (CVA) was 3.0 (1.8) million euros and counterparty credit risk was 0.4 (0.3) million euros at the end of 2023.

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

TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

		a	b	c	d	e	f	g	h
31.12.2023 (EUR 1,000)		**Replacement cost (RC)**	**Potential future exposure (PFE)**	**EEPE**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWEA**
1	SA-CCR (for derivatives)	5,530	14,347		1.4	37,255	27,827	27,827	5,563
6	Total					37,255	27,827	27,827	5,563

The rows 2-5 are not disclosed as there is no reporting in these rows.

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

		a	b
31.12.2023 (EUR 1,000)		**Exposure value**	**RWEA**
4	Transactions subject to the Standardised method	29,497	37,250
5	Total transactions subject to own funds requirements for CVA risk	29,497	37,250

The rows 1-3 and EU-4 not disclosed as there is no reporting in these rows.

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

31.12.2023 (EUR 1,000)		b	e	l
Exposure classes		**2%**	**20%**	**Total exposure value**
6	Institutions	12	27,815	27,827
11	Total exposure value	12	27,815	27,827

The rows 1-5, rows 7-10, columns a-d and columns f-k are not disclosed as there is no reporting in these rows.

TABLE EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				**Collateral used in SFTs**			
31.12.2023 (EUR 1,000)		**Fair value of collateral received**		**Fair value of posted collateral**		**Fair value of collateral received**		**Fair value of posted collateral**	
Collateral type		**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**
1	Cash – domestic currency		9,350	57	42,261				
9	Total		9,350	57	42,261				

The rows 2-8 not disclosed as there is no reporting in these rows.

TABLE EU CCR8 – EXPOSURES TO CCPS

		a	b
31.12.2023 (EUR 1,000)		**Exposure value**	**RWEA**
1	Exposures to QCCPs (total)		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	113	
3	(i) OTC derivatives	113	
7	Segregated initial margin	57	
11	Exposures to non-QCCPs (total)		

The rows 4-6, 8-10 and 12-20 are not disclosed as there is no reporting in these rows.

6.2. MARKET RISK

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

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

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

Investment and liquidity portfolios

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

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

The dependence of Savings Banks' investment operations on the impacts of the war in Ukraine has been very limited. However, the change in the interest rate environment has had a considerable effect on the market values of the Savings Banks' investments.

The table below illustrates the diversity of the investment portfolio by asset class.

Investment portfolio (EUR 1,000)*	31.12.2023		31.12.2022	
	Fair value	Share (%)	Fair value	Share (%)
Debt securities	619,606	81.8%	631,618	78.6%
Shares	50,874	6.7%	66,386	8.3%
Structured investments	1,410	0.2%	3,003	0.4%
Other investments	52,069	6.9%	65,382	8.1%
Properties	33,117	4.4%	37,219	4.6%
Total	757,076	100%	803,607	100%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

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

Risk factor (EUR 1,000)	Chg %	31.12.2023	31.12.2023	Income *	Own funds*
Interest rates	+1%	-13,639	-17,143	-166	-12,404
Share prices	-10%	-5,087	-8,410	-5,087	-5,087
Property values	-10%	-3,312	-5,630	-	-
Structured investment value	-10%	-141	-337	-141	-141
Other investment value	-10%	-5,207	-8,476	-5,207	-5,207

* Risk factor effect on income and own funds.

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

Equity portfolio (EUR 1,000)	31.12.2023	31.12.2022
Listed shares	11,699	32,521
Unlisted shares	39,175	33,864
Total	50,874	66,386

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Currency risk refers to the impact of changes in foreign exchange rates on the bank's result or own funds. Minor foreign exchange risk may arise from instruments in the investment portfolio. Open currency risk is not allowed in deposits from the customers or in the liquidity buffer of the member credit institutions. The currency position of a member credit institution is monitored with the capital adequacy calculation method (the capital requirement is calculated if the total net currency position is more than 2% of total own funds).

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

Market risk management

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

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

6.3. INTEREST RATE RISK IN THE BANKING BOOK

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

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

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

EVE risk is monitored using the six standard supervisory stress scenarios. In the EVE risk calculation, the longest modelled maturity used for non-maturing core deposits is 7.5 years and the average modelled maturity is about 4.7 years. The average modelled maturity for all non-maturing deposits is about 2.5 years.

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

The following table presents the interest rate risk as at the end of 2023 and 2022. Scenarios 1 and 2 are 2 %-point parallel shocks up and down, respectively, for all columns a-d. The largest change in the economic value of equity at the end of 2023 came from the short flattener scenario. The risk in the scenario is about -27 million euros or -2.8% relative to tier 1 capital. The lowest result in the changes to the net interest income came from the 2 %-point parallel shift down scenario, where net interest income would be about 41.4 million euros lower compared to the base scenario. There was no significant change in net interest income risk during 2023.

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

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
(EUR 1,000) Supervisory shock scenarios		31.12.2023	31.12.2022	31.12.2023	31.12.2022
1	Parallel up	-836	-39,858	16,361	40,377
2	Parallel down	-23,646	-392	-17,353	-43,704
3	Steepener	26,910	27,308		
4	Flattener	-27,419	-47,741		
5	Short rates up	-24,436	-56,273		
6	Short rates down	22,571	33,420		

6.4. LIQUIDITY RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets 2023 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	1,431,712	1,431,712	0	0	0
Central bank eligible debt securities	503,274	21,821	69,211	350,692	61,550
Receivables from financial institutions	178,972	178,972	0	0	0
Receivables from customers and public entities	9,539,664	481,272	584,927	2,608,813	5,864,652
Other debt securities	116,380	12,214	21,821	80,401	1,944
Equity and shares	84,081	0	0	0	84,081
Other assets	269,902	0	172,325	0	97,577
Assets total	12,123,986	2,125,992	848,284	3,039,906	6,109,804

Liabilities 2023 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	620,868	304,053	131,818	184,997	0
Amounts owed to customers and public entities	7,023,662	6,300,578	583,796	139,287	0
Debt securities in issue	2,946,738	101,068	203,967	2,436,954	204,749
Subordinated liabilities	3,173	3,173	0	0	0
Other liabilities	440,041	271,292	20,929	104,601	43,219
Liabilities total	11,034,482	6,980,164	940,510	2,865,839	247,968
Derivatives, net cash flows	-201,442	-28,487	-55,497	-91,910	-25,512

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

Assets 2022 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	1,207,448	1,207,448	0	0	0
Central bank eligible debt securities	464,611	12,777	118,568	240,286	92,980
Receivables from financial institutions	205,014	205,014	0	0	0
Receivables from customers and public entities	9,024,855	481,272	584,927	2,608,813	5,349,843
Other debt securities	170,578	3,701	28,258	125,143	13,476
Equity and shares	135,697	0	0	0	135,697
Other assets	1,576,179	89	1,490,044	0	86,046
Assets total	12,784,382	1,910,301	2,221,797	2,974,242	5,678,042

Liabilities 2022 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	450,945	112,655	150,000	168,000	20,290
Amounts owed to customers and public entities	6,999,896	6,276,298	583,801	139,797	0
Debt securities in issue	2,756,667	88,726	185,151	1,832,794	649,996
Subordinated liabilities	2,058	2,058	0	0	0
Other liabilities	1,427,039	1,163,954	850	102,545	159,690
Liabilities total	11,636,605	7,643,691	919,802	2,243,136	829,976

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

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

The long-term credit rating that Standard & Poor's Rating Services has granted to The Central Bank of Savings Banks Finland remained in 2023 at an 'A-', but the outlook was changed from negative to stable. The short-term credit rating remained at 'A-2'.

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

The main drivers of the Amalgamation's LCR are the volatility of ECB exposures and maturing wholesale funding issued by The Central Bank of Savings Banks and Sp Mortgage Bank. The largest changes in LCR during the period were due to Lieto Savings Bank's exit from the Group, which increased the Group's liquid assets and lowered net outflows.

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

Derivatives are only used for hedging. The collateral needs that would result from the impact of an adverse market scenario on the Amalgamation's derivative transactions comprised approximately 4.6% of the LCR net outflows at the end of 2023.

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

The Amalgamation had at the end of 2023 LCR compliant liquid assets (before haircuts) 1,841 (1,586) million euros, of which 78 (77) per cent were notes and coins and central bank receivables, 14 (13) per cent were government bonds, 8 (10) per cent were other liquid assets. The Amalgamation's LCR was 226 (144) per cent at the end of 2023.

The net stable funding requirement (NSFR) ratio was 127 (126)%, which is notably higher than the regulatory limit of 100 per cent. The available stable funding was EUR 10,126.2(10,745.1) million. Its largest items were deposits with EUR 5,352.1 (6,102.9) million, primary capital (T1) EUR 1,034.4 (1,090.5) million and issued bonds with EUR 2,904.8 (2,756.7) million. Required stable funding was EUR 7,985.3 (8,558.3) million and consisted mostly of lending with 7,056.6 (7,571.8) million euros.

TABLE EU LIQ1 – QUANTITATIVE INFORMATION OF LCR

		a	b	c	d	e	f	g	h
(EUR 1,000)		**Total unweighted value (average)**				**Total weighted value (average)**			
EU 1a	**Quarter ending on**	**31.12.2023**	**30.9.2023**	**30.6.2023**	**31.3.2023**	**31.12.2023**	**30.9.2023**	**30.6.2023**	**31.3.2023**
EU 1b	**Number of data points used in the calculation of averages**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1,569,686	1,442,560	1,439,311	1,454,379
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	5,115,854	5,479,560	5,836,835	6,155,875	307,854	332,051	356,129	377,519
3	Stable deposits	4,293,647	4,562,447	4,824,156	5,060,050	214,682	228,122	241,208	253,003
4	Less stable deposits	822,207	917,112	1,012,678	1,095,825	93,171	103,928	114,921	124,517
5	Unsecured wholesale funding	694,489	756,600	828,989	902,748	421,981	451,763	479,784	511,134
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	25,000	25,000	24,972	24,972	6,250	6,250	6,243	6,243
7	Non-operational deposits (all counterparties)	620,672	684,592	759,205	846,806	366,915	398,505	428,729	473,921
8	Unsecured debt	48,816	47,008	44,812	30,970	48,816	47,008	44,812	30,970
9	**Secured wholesale funding**								
10	Additional requirements	693,355	728,627	813,689	853,541	82,733	83,247	126,990	125,947
11	Outflows related to derivative exposures and other collateral requirements	43,686	43,608	41,798	37,297	43,686	43,608	41,798	37,297
12	Outflows related to loss of funding on debt products	2,228	275	41,938	41,917	2,228	275	41,938	41,917
13	Credit and liquidity facilities	647,441	684,744	729,953	774,327	36,819	39,364	43,254	46,733
14	Other contractual funding obligations	2,652	2,727	3,114	3,530	142	308	328	531
15	Other contingent funding obligations	432,664	457,839	483,639	509,569	49,448	50,792	51,432	52,079
16	TOTAL CASH OUTFLOWS					862,159	918,162	1,014,663	1,067,210
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	76,358	75,913	78,692	78,751	50,347	48,566	48,564	47,075
19	Other cash inflows	44,133	103,436	95,773	91,680	29,974	90,211	80,055	73,352
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	120,492	179,348	174,465	170,431	80,321	138,777	128,619	120,427
EU-20a	Fully exempt inflows			75,727					
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	120,492	179,348	174,465	170,431	80,321	138,777	128,619	120,427
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1,569,686	1,442,560	1,439,311	1,454,379
22	TOTAL NET CASH OUTFLOWS					781,838	779,385	886,045	946,783
23	LIQUIDITY COVERAGE RATIO					202.49%	194.97%	176.51%	166.18%

TABLE EU LIQ2: NET STABLE FUNDING RATIO

According to CRR 451a(3)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
(EUR 1,000)		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,031,404			3,015	1,034,419
2	Own funds	1,031,404			3,015	1,034,419
3	Other capital instruments					
4	Retail deposits		5,275,047	365,767	44,934	5,352,092
5	Stable deposits		4,371,554	236,952	32,822	4,410,903
6	Less stable deposits		903,493	128,815	12,112	941,189
7	Wholesale funding:		1,398,417	605,905	2,988,875	3,739,685
8	Operational deposits		25,000			12,500
9	Other wholesale funding		1,423,417	605,905	2,988,875	3,752,185
10	**Interdependent liabilities**					
11	Other liabilities:		335,243			
12	NSFR derivative liabilities	189,120				
13	All other liabilities and capital instruments not included in the above categories		335,243			
14	Total available stable funding (ASF)					10,126,196
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					109,185
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		79,053	85,011	3,019,818	2,706,299
16	**Deposits held at other financial institutions for operational purposes**					
17	Performing loans and securities:		296,610	289,936	5,879,639	4,570,027
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		751	1,006	34,614	35,192
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		145,322	157,143	2,637,207	4,315,125
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		28,855	29,130	715,876	2,559,640
22	Performing residential mortgages, of which:		120,569	121,717	2,991,191	
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		120,561	121,709	2,991,067	
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		29,968	10,070	216,628	219,711
25	**Interdependent assets**					
26	Other assets:		313,669	5,098	461,978	520,634
30	NSFR derivative liabilities before deduction of variation margin posted		201,372			10,069
31	All other assets not included in the above categories		112,297	5,098	461,978	510,565
32	Off-balance sheet items		189,417	71,248	757,641	79,161
33	Total RSF					7,985,306
34	Net Stable Funding Ratio (%)					126.81%

6.5. ASSET ENCUMBRANCE

The Amalgamation's asset encumbrance level was 28.2% at the end of 2023. The most significant source of asset encumbrance for the Amalgamation were covered bonds issued by Sp Mortgage Bank. Mortgage bank activity accounted for 93% of the Amalgamation's asset encumbrance. Due to Sp Mortgage Bank's switch to the intermediary loan model, part of the loan stock pledged as collateral to the covered bonds is on the Savings banks' balance sheets.

At the end of 2023 Sp Mortgage Bank had EUR 2,050 million of outstanding covered bonds and EUR 3,187 million of encumbered mortgage loans, of which EUR 1,003 million was on the Savings banks' balance sheets.

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

The following tables EU AE1-AE4 provide information on asset encumbrance. Figures are presented as quarterly median values for 2023.

TABLE EU AE2 – COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED

				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
31.12.2023 (EUR 1,000)		010	030	040	060
130	Collateral received by the disclosing institution				
140	Loans on demand				
250	Total collateral received and own debt securities issued	3,324,908	64,113		

The rows 150-241 not disclosed as there is no reporting in these rows.

TABLE EU AE3 – SOURCES OF ENCUMBRANCE

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
31.12.2023 (EUR 1,000)		010	030
010	Carrying amount of selected financial liabilities	2,241,539	3,324,908

TABLE EU AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
31.12.2023 (EUR 1,000)		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	3,324,908	64,113			8,440,341	1,645,808		
030	Equity instruments					49,907		49,940	
040	Debt securities	136,208	64,113	135,864	63,714	553,455	353,201	553,130	352,869
050	of which: covered bonds					21,292	20,506	21,280	20,493
060	of which: covered bonds								
070	of which: issued by general governments	52,341	52,341	52,119	52,119	195,091	193,470	194,734	193,074
080	of which: issued by financial corporations	54,095		54,095		99,185	26,659	99,172	26,647
090	of which: issued by non-financial corporations	30,368	13,419	30,368	13,419	256,325	134,458	256,378	134,472
120	Other assets	3,192,480				7,862,210	1,292,369		

The rows 150-241 not disclosed as there is no reporting in these rows.

6.6. REAL ESTATE RISK

Real estate risk refers to the risk of depreciation, income risk and damage risk to real estate assets. Real estate investments are not part of the core business of the banking segment. The banks' real estate investments are mainly secured with full value insurance. Property, plant, equipment, and investment property are measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note "Investment assets".

6.7. OPERATIONAL RISK

Operational risks refer to the risk of loss caused by inadequate or failed internal processes, personnel, systems or external factors. Legal and compliance risks are also included in operational risks. In addition, reputational risk is managed as part of operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have been assessed in the evaluation of Group-level operational risks. Strategic risks have been excluded from operational risks here.

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

The Board of Directors of the Savings Banks Amalgamation's Central Institution has the overall responsibility for the operational risks of banking and for defining risk levels and operational risk management procedures related to their identification, measurement, mitigation, monitoring and control. The Board of Directors of the Central Institution approves the principles and key operational guidelines of operational risk management. The risk management organisation monitors that the operational risk management framework is applied in all companies and units belonging to the Savings Banks Group.

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

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

6.8. LEGAL RISKS

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

The Compliance function has been established to ensure that the Savings Banks Amalgamation complies with regulations and internal guidelines. The Compliance function's responsibility is to ensure that the Savings Banks Amalgamation complies with laws, regulations and guidelines. The Compliance function also ensures that the Savings Banks Amalgamation complies with its own internal guidelines, ethical principles for personnel and other instructions in the financial and insurance markets. The ultimate goal is to avoid compliance risk in the operations of the Savings Banks Group.

6.9. BUSINESS RISK

Business risk describes the impact of uncertainties caused by the operating environment on the Bank's business. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in income. Business risks may also be caused by choosing a wrong strategy, ineffective management, or slow response to changes in the operating environment.

Strategic and business planning are the tools used to manage and minimise business risks.

7. ASSET MANAGEMENT AND LIFE INSURANCE

7.1. ASSET MANAGEMENT

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

The fund capital managed by Sp-Fund Management Company totalled EUR 4.7 (4.5) billion at the end of the year. The total number of investment funds managed at the end of 2023 was 24 (24) investment funds and 9 (9) special investment funds.

7.2. LIFE INSURANCE

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

PROFITABILITY OF LIFE INSURANCE

	31.12.2023			31.12.2022
(EUR 1,000)	**Risk premiums**	**Claims incurred**	**Claims ratio**	**Claims ratio**
Risk insurance	4,776	1,746	37%	36%
Savings and pension insurance	27,261	26,388	97%	96%
Total	2,464,415	2,164,109	88%	87%

Insurance risk

The most significant insurance risks are linked to pure risk products. These products include loan insurance, under which the company grants insurance against death, permanent incapacity for work and accident-related permanent incapacity for work. Such risks are managed by the insurance terms and conditions, careful selection of liability, correct pricing and reinsurance. In insurance against permanent incapacity for work and accident-related permanent incapacity for work, it is possible to increase the contributions for the existing insurance base when the claims ratio weakens. In terms of the selection of liability, we have specified clear grounds for taking insurance risks. In the selection of liability for risk insurance, we use liability selection decision instructions prepared and maintained by the reinsurer.

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

Interest rate risk

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

Expense risk

The products in life insurance operations are priced in terms of the expense loadings received from the products to cover the expenses incurred. The expense loadings are dimensioned on the basis of product lifecycle thinking, whereby the expense loadings received from the contracts are allocated over the entire validity of the contract. With regard to life insurance, we analyse the profitability of insurance types at least once a year, on the basis of which the contributions and loading of the insurance policies granted is assessed. The analysis indicates the sufficiency of the risk premiums received to cover the claims incurred, the sufficiency of the expense loadings to cover the expenses and the compatibility of the interest credits with the income received. By means of the analysis, we annually monitor the sufficiency of the pricing by insurance type and take the necessary corrective steps.

Sensitivity analysis of technical provisions

The insurance portfolio is made up of risk insurance and savings insurance. Risk insurance policies are life insurance policies linked to loans granted by sales channels, the related cover of which may include insurance against permanent incapacity for work and accident-related permanent incapacity for work. Savings insurance policies include endowment policies, pension and group pension insurance policies and capitalisation agreements. The Savings Banks Group does not have the opportunity to materially affect the contributions for, or other terms and conditions of, already granted insurance policies.

Risk insurance policies involve mortality risk and the risk of incapacity for work. These risks are managed by the appropriate selection of liability, profitability of business-related underwriting risk and reinsurance. The company has reinsured every insured person in the event of death or permanent disability to the extent that the risk sum (or sum insured) exceeds EUR 150,000 or EUR 300,000 in new contracts from 2023 onwards. In addition, the Savings Banks Group has catastrophe cover, which restricts the maximum amount of damage incurred from one loss event to EUR 500 thousand.

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

The guaranteed interest savings insurance policies have been discounted using a contract-specific interest rate, which is not a market rate. The contract-specific interest rate varies between 0% and 0.5%. In 2023, it was 0.12% on average. EUR 8.9 million has been reserved for future discretionary bonuses included in technical provisions, which is estimated to cover four-fifths of the future discretionary bonuses during the next 10 years.

Risks of investment operations

The objective of the investment operations of life insurance is to achieve the best possible continuous income at an acceptable risk level, while at the same time securing the company's capital requirements and the compatibility of the structure of assets and liabilities. The most significant risks are the decline in the value of investments, an insufficient level of returns for the requirements set by technical provisions and the reinvestment risk of investment assets falling due. Risks are managed by effective diversification, while at the same time taking into account the regulations related to assets covering technical provisions.

DISTRIBUTION OF INVESTMENT ASSETS

Type of investment (EUR 1,000)		31.12.2023	31.12.2022
Bonds			
	Fixed-income funds	103,307	108,368
Shares, Developed markets			
	Equity funds	31,363	19,523
Hedge funds		10,114	9,997
Real estate			
	Real estate funds	8,798	10,903
Bank receivables in investments		1,356	8,403
Total		154,938	157,194

BOND AND FIXED INCOME FUND INVESTMENTS ACCORDING TO MODIFIED DURATION

(EUR 1,000) Modified duration	31.12.2023	Share	31.12.2022	Share
0 - 1	15,168	14%	15,717	24%
1-3	22,636	22%	12,482	18%
3-5	28,935	28%	13,523	21%
5-7	17,040	16%	29,382	13%
7-10	10,224	10%	21,915	11%
10 -	11,063	11%	15,349	13%
Total	105,065	100%	108,368	100%

INVESTMENTS BY CURRENCY

(EUR,1,000) Currency	31.12.2023	Share	31.12.2022	Share
EUR	138,102	89%	126,918	85%
USD	10,892	7%	15,325	10%
GBP	2,463	2%	2,976	2%
Others	3,480	2%	3,571	2%
Total	154,937	100.00%	148,791	100.00%

BONDS AND STRUCTURED LOANS ACCORDING TO MATURITY AND CREDIT RATING

(EUR 1,000)	Maturity						31.12.2023		31.12.2022	
Credit rating	0 – 1	1 – 3	3 – 5	5 – 7	7 – 10	10 –	Total	Share	Total	Share
AAA	1,096	1,877	726	638	1,480	2,935	8,753	8%	15,054	8%
AA	3,796	3,202	3,495	2,018	2,774	3,485	18,770	18%	21,438	5%
A	1,821	4,111	3,943	2,596	2,002	1,288	15,761	15%	30,653	11%
BBB	3,738	5,292	6,981	5,277	2,708	1,999	25,995	25%	15,299	26%
< BBB	1,500	5,261	7,790	1,924	203	468	17,146	16%	13,775	36%
Unclassified	3,216	2,893	6,000	4,588	1056	888	18,641	18%	12,149	14%
Total	15,168	22,636	28,935	17,040	10,224	11,063	105,065	100%	108,368	100%

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

To protect parts of investment assets, it is also possible to use derivatives for hedging purposes as necessary. Investment risk is monitored through sensitivity analyses and by means of the value-at-risk technique. The table below shows the sensitivity analysis of the investment portfolio, which describes the effect of different market risk factors on investment assets.

The credit risk of investment operations is managed by issuer and counterparty limits.

SENSITIVITY ANALYSIS

(EUR 1,000)		Change in own funds	
Risk factor	Change	31.12.2023	31.12.2022
Interest	+ 1 %-point	-1,799	101
	- 1 %-point	-777	-322
Share	-10%	-3,136	-2,052
Real estate	-10%	-880	-1,300
Currency	Others/Euro -10%	-1,684	-2,187
Structured loans	-10%	0	0

8. OTHER PILLAR 3 DISCLOSURES

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

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

31.12.2023

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

The table EU LI1 provides information on the differences between the main items of the Savings banks group's (column a) and the Savings banks amalgamation's balance sheet (column b) and the allocation of the items into the risk framework (columns c-g). Column b does not always equal the sum of columns c-g because some items are subject to both credit risk and market risk capital requirement (FX risk).

The differences between the balance sheets of the Savings Banks Group and the Savings Banks Amalgamation are due to differences in the content and extent of consolidation. In the Savings Banks Amalgamation, Sb Life Insurance is not consolidated but is rather shown in investments made by the consolidation group and the insurance company's equity capital is not included in the equity capital of the consolidation group. The Savings Banks Amalgamation has applied the materiality threshold specified in Article 19 of CRR in the consolidation of its companies.

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

		a	b	c	d	e	e	e
				Carrying values of items				
	(EUR 1,000)	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Assets							
1	Cash and cash equivalents	1,431,712	1,431,712	1,431,712				
2	Loans and advances to credit institutions	179,140	178,973	178,973				
3	Loans and advances to customers	9,539,206	9,539,665	9,539,665				
4	Derivatives	16,649	16,649		16,649			
5	Investment assets	895,223	728,948	728,948			1,233	
6	Assets covering unit-linked contracts	908,402						
7	Assets related to insurance contracts	1,073						
8	Assets related reinsurance contracts	375						
9	Investments in associates and joint ventures	133	133	133				
10	Property, plant and equipment	40,605	40,331	40,331				
11	Intangible assets	40,622	37,635					37,635
12	Tax assets	14,982	14,423	675				13,749
13	Other assets	138,292	141,120	126,205	14,915			
14	Total assets	13,206,415	12,129,589	12,046,642	31,564		1,233	51,383
	Liabilities							
1	Financial liabilities at fair value through profit or loss	38,096						
2	Liabilities to credit institutions	620,868	620,868					620,868
3	Liabilities to customers	7,016,823	7,023,662					7,023,662
4	Derivatives	174,215	174,215		174,215			
5	Debt securities issued	2,946,738	2,946,738					2,946,738
6	Unit-linked contract liability	420,446						
7	Insurance contract liability	571,387						
8	Re-insurance contract liability	-126						
9	Subordinated liabilities	3,257	3,173					3,173
10	Tax liabilities	68,004	60,935					60,935
11	Provisions and other liabilities	208,757	204,890		45,218			159,672
12	Total liabilities	12,068,464	11,034,481		219,434			10,815,048

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

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

		a	b	c	d	e
		Total	Items subject to			
31.12.2023 (EUR 1,000)			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per Table LI1)	12,078,206	12,046,642		31,564	1,233
2	Liabilities carrying value amount under the scope of prudential consolidation (as per Table LI1)	219,434			219,434	
3	Total net amount under the scope of prudential consolidation	11,858,772	12,046,642		-187,870	1,233
4	Off-balance-sheet amounts	680,945	680,945			
5	*Differences in valuations*	-1,019	-1,019			
6	*Differences due to different netting rules, other than those already included in row 2*	189,120			189,120	
7	*Differences due to consideration of provisions*					
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	-59,429	-50,000		-9,429	
9	*Differences due to credit conversion factors*	-478,300	-478,300			
10	*Differences due to Securitisation with risk transfer*					
11	*Other differences*	44,518	8,513		36,005	
12	Exposure amounts considered for regulatory purposes	12,234,608	12,206,781		27,827	

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

TABLE EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

	31.12.2023 (EUR 1,000)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	81,742	
	of which: Shares	50,278	(a)
	of which: Primary capital	31,452	(b)
	of which: Share premium accounts	12	(c)
2	Retained earnings	671,258	(d)
3	Accumulated other comprehensive income (and other reserves)	243,863	(c)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	90,451	(d)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,087,314	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1,019	
8	Intangible assets (net of related tax liability) (negative amount)	-37,635	(e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	1	(f)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-13,749	(g)
27a	Other value adjustments	-3,507	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-55,909	
29	Common Equity Tier 1 (CET1) capital	1,031,404	
Additional Tier 1 (AT1) capital: instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital		
45	Tier 1 capital (T1 = CET1 + AT1)	1,031,404	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	3,015	(h)
51	Tier 2 (T2) capital before regulatory adjustments	3,015	

	31.12.2023 (EUR 1,000)	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	Tier 2 (T2) capital	3,015	
59	Total capital (TC = T1 + T2)	1,034,419	
60	Total Risk exposure amount	5,302,169	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	19.45%	
62	Tier 1 capital	19.45%	
63	Total capital	19.51%	
64	Institution CET1 overall capital requirements	7.89%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.05%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.84%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	10.01%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4,884	(i)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	24,596	(i)

The rows EU-3a-5,7,9-10,12-EU-20d,22-27, 30-35, 47-50, 52-57, 69-71 ja 74-85 are not disclosed as value equals to N/A on these rows.

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

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	31.12.2023 (EUR 1,000)	31.12.2023	31.12.2023	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial*				
1	Cash and cash equivalents	1,431,712	1,431,712	
2	Loans and advances to credit institutions	179,140	178,973	
3	Loans and advances to customers	9,539,206	9,539,665	
4	Derivatives	16,649	16,649	
5	Investment assets	895,223	728,948	(i)
6	Life insurance assets	908,402		
7	Assets covering unit-linked contracts	1,073		
8	Assets related to insurance contracts	375		
9	Assets related reinsurance contracts	133	133	
10	Property, plant and equipment	40,605	40,331	
11	Intangible assets	40,622	37,635	(e)
12	Tax assets	14,982	14,423	
13	ow: deferred tax assets	13,655	13,749	(g)
14	Other assets	138,292	141,120	
15	Total assets	13,206,415	12,129,589	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial*				
1	Financial liabilities at fair value through profit or loss	38,096		
2	Liabilities to credit institutions	620,868	620,868	
3	Liabilities to customers	7,016,823	7,023,662	
4	Derivatives	174,215	174,215	
5	Debt securities issued	2,946,738	2,946,738	
6	Unit-linked contracts liability	420,446		
7	Insurance contract liability	571,387		
8	Re-insurance contract liability	-126		
9	Subordinated liabilities	3,257	3,173	
10	ow which: Tier 2 elligible subordinated liabilities	3,015	3,015	(h)
11	Tax liabilities	68,004	60,935	
12	Provisions and other liabilities	208,757	204,890	
13	Total liabilities	12,068,464	11,034,481	
Shareholders' Equity				
1	Basic capital	50,183	50,300	(a)
2	Primary capital	31,452	31,452	(b)
3	Reserves	242,499	243,852	(c)
4	ow which: cash flow hedges	-1	-1	(f)
5	Retained earnings	812,654	768,293	(d)
6	Total equity attributable to equity holders of the Group	1,136,788	1,093,898	
7	Non-controlling interests	1,162	1,210	
8	Total shareholders' equity	1,137,950	1,095,108	

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

TABLE EU CCA: MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS

		Own funds instruments		
	31.12.2023 (EUR 1,000)	**Share capital**	**Basic fund**	**Debentures which meet requirements of own funds and eligible liabilities (maturity >1 year)**
1	Issuer	Member Savings Banks	Member Savings Banks	Someron Säästöpankki
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	FI4000556402
2a	Public or private placement	Private	Private	Private
3	Governing law(s) of the instrument	Legislation of Finland	Legislation of Finland	Legislation of Finland
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share	Basic fund share	Liability 63 art.
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	50,278	31,452	Regulatory own funds: 3,014
9	Nominal amount of instrument	N/A	31,452	3,173
EU-9a	Issue price	N/A	100%	100.00%
EU-9b	Redemption price	N/A	100%	100%
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – amortised cost
11	Original date of issuance	Share capital of every Savings bank in form of limited liability company has individual date of issuance	Every basic fund emission has individual date of issuance	30.6.2023
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	no maturity	no maturity	30.9.2028
14	Issuer call subject to prior supervisory approval	No	No	No

	31.12.2023 (EUR 1,000)	Own funds instruments		
		Share capital	**Basic fund**	**Debentures which meet requirements of own funds and eligible liabilities (maturity >1 year)**
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	N/A	4% / Euribor 12 M
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible	Nonconvertible	Nonconvertible
30	Write-down features	No	No	No
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	Statutory
EU-34b	Ranking of the instrument in normal insolvency proceedings	Rank 1	Rank 1	Rank 3
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures	Debentures	Subordinated unsecured debt
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)			https://www.saastopankki.fi/fi-fi/pankit-ja-konttorit/someron-saasto-pankki/debentuuri

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

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

TABLE EU PV1 - PRUDENT VALUATION ADJUSTMENTS (PVA)

Fixed format

31.12.2023 (EUR 1,000)		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA – Valuation uncertainty		Total category level post-diversification		
	Category level AVA	**Equity**	**Interest Rates**	**Foreign exchange**	**Credit**	**Commodities**	**Unearned credit spreads AVA**	**Investment and funding costs AVA**		**Of which: Total core approach in the trading book**	**Of which: Total core approach in the banking book**
12	Total Additional Valuation Adjustments (AVAs)								1,019		

The rows 1-11 are not disclosed as there is no reporting in these rows.

9. FULFILMENT OF THE DISCLOSURE REQUIREMENTS

SAVINGS BANKS AMALGAMATION PILLAR 3 DISCLOSURE

Reference to pillar 3 report	Disclosure Table
Declaration approved by the Board of Directors of Savings Bank Amalgamation	
	Table EU KM1 - Key metrics Table
Information on corporate governance	
	Table EU OVB- Disclosure on governance arrangements
	Table EU REMA – Remuneration policy
	Table EU REM1 - Remuneration awarded for the financial year
	Table EU REM5-Table EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)
Information on risk management	
	Table EU OVA - Institution risk management approach
Capital adequacy management (EU OVC), capital adequacy, leverage ratio and MREL-requirements	
	Table EU OVC - ICAAP information
	EU OV1 – Overview of total risk exposure amounts
	Table EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts
	Table EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
	Table EU CCyB2 - Amount of institution-specific countercyclical capital buffer
	Table EU INS1 - Insurance participations
	Table EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
	Table EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
	Table EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
	Table EU LRA - Disclosure of LR qualitative information.

Reference to pillar 3 report	Disclosure Table
Credit and counterparty risks	
	Table EU CRA: General qualitative information about credit risk
	Table EU CRB: Additional disclosure related to the credit quality of assets
	Table EU CR2: Changes in the stock of non-performing loans and advances
	Table EU CR1: Performing and non-performing exposures and related provisions.
	Table EU CQ3: Credit quality of performing and non-performing exposures by past due days
	Table EU CQ7: Collateral obtained by taking possession and execution processes
	Table EU CQ1: Credit quality of forborne exposures
	Table EU CR1-A: Maturity of exposures
	Table EU CQ5: Credit quality of loans and advances to non-financial corporations by industry
	Table EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
	Table EU CR4 – standardised approach – Credit risk exposure and CRM effects
	Table EU CR5 – standardised approach
	Table EU CRD – Qualitative disclosure requirements related to standardised approach
	Table EU CRC – Qualitative disclosure requirements related to CRM techniques
	Table EU CCRA – Qualitative disclosure related to CCR
	Table EU CCR1 – Analysis of CCR exposure by approach
	Table EEU CCR2 – Transactions subject to own funds requirements for CVA risk
	Table EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights
	Table EU CCR5 – Composition of collateral for CCR exposures
	Table EU CCR8 – Exposures to CCPs
Market risks	
	Table EU MRA - Qualitative disclosure requirements related to market risk
Interest rate risk in the banking book	
	Table EU IRRBB1 - Interest rate risks of non-trading book activities
	Table IRRBBA -Qualitative disclosure on interest rate risks of non-trading book activities
Liquidity risk	
	Table EU LIQB on qualitative information on LCR
	Table EU LIQA - Liquidity risk management
	Table EU LIQ1 - Quantitative information of LCR
	Table EU LIQ2: Net Stable Funding Ratio

Reference to pillar 3 report	Disclosure Table
Asset encumbrance	
	Table EU AE1 - Encumbered and unencumbered assets
	Table EU AE2 - Collateral received and own debt securities issued
	Table EU AE3 - Sources of encumbrance
	Table EU AE4 - Accompanying narrative information
Operational risks	
	Table EU ORA - Qualitative information on operational risk
Other pillar III disclosures	
	Table EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)
	Table EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories
	Table EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
	EU LIA - Explonations of differences between accounting and regulatory exposure amounts
	Table EU CC1 - Composition of regulatory own funds
	Table EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements
	Table EU CCA: Main features of regulatory own funds instruments
	Table EU PV1 - Prudent valuation adjustments (PVA)

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

CRR article	EBA disclosure template	Rationale
436 (f,g,h)	EU LIB	Not applicable
438 (a)	EU OVI (column a)	Supervisor has not demanded the disclosure of the information.
438 (e)	EU CR10	Internal credit risk models are not in use in the credit risk capital requirement calculation.
438 (g)	EU INS2	2002/87/EY annexes 1 and 2 are not applicable.
438 (h)	EU CR8	
438 (h)	EU MR2-B	
438 (h)	EU CCR7	Internal credit risk models are not in use in the credit risk capital requirement calculation.
439 (j)	EU CCR6	No credit risk derivatives.
442 (c,f)	EU CR2a	
442 (c)	EU CQ2	
442 (c)	EU CQ6	
442 (c)	EU CQ8	
442 (c,e)	EU CQ4 (column b,d), EU CQ5 (column b,d)	There is no disclosure requirement because the Savings Banks Amalgamation does not fulfil the CRR definition of a large institution. In addition, EU CQ5 immaterial industries are disclosed in the row “Other services”.
442 (e)	EU CQ4 (a,c,e,f,g)	Foreign exposures do not exceed 10%.
445	EU MR1	The savings banks amalgamation does not have a trading book which would be subject to a market risk capital requirement. In addition, the amalgamation does not have a capital requirement for foreign exchange risk and commodity risk.
449	EU CE1-5, EU SECA	No securitised positions.
450	EU REM2	No special payments have been made to staff whose professional activities have a material impact on institutions’ risk profile (identified staff).
450	EU REM3	No deferred remuneration.
450	EU REM4	No remuneration over EUR 1 million per year.
452	EU CR6-A, EU CRE, EU CR6, EU CR9, EU CR9.1	
453	EU CR7-A, EU CR7	
455	EU MRB, EU MR-A, EU MR3-IMA, EU MR4	The savings banks amalgamation does not have a trading book which would be subject to a market risk capital requirement.
437a	EU CCA	Regarding MREL instruments, only debentures are included because other MREL instruments are not in the scope of the disclosure requirements according to CRR (Article 437 and 437a).
		No zero values on rows are disclosed unless information is assessed to be material.

Savings Bank

Postal/visiting address: Savings Banks' Union Coop, Teollisuuskatu 33, 00510 Helsinki | Registered office: Helsinki

saastopankki.fi