SAVINGS BANKS GROUP'S BOARD OF DIRECTORS' REPORT AND CONSOLIDATED IFRS FINANCIAL STATEMENTS

31 DECEMBER 2021

Savings Bank

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BOARD OF DIRECTORS’ REPORT OF THE SAVINGS BANKS GROUP

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

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

Tomi Närhinen
CEO, Savings Banks' Union Coop

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

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

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

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

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

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

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

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

Tomi Närhinen
CEO, Savings Banks' Union Coop

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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

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

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

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

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

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DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

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

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

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

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

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

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

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

INTEREST RATE ENVIRONMENT

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

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

INVESTMENT MARKETS

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

THE FINNISH ECONOMY

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

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

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

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

THE HOUSING MARKET IN FINLAND

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

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

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

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

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

THE SAVINGS BANKS GROUP'S PROFIT AND BALANCE SHEET

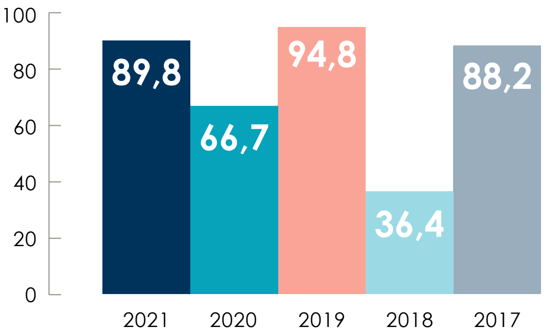
SAVINGS BANKS GROUP'S FINANCIAL HIGHLIGHTS

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

PROFIT TRENDS (COMPARISON FIGURES 1–12/2020)

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

PROFIT BEFORE TAXES 2021
(million euros)



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

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

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

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

Other operating revenue was EUR 10.9 (8.0) million.

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

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

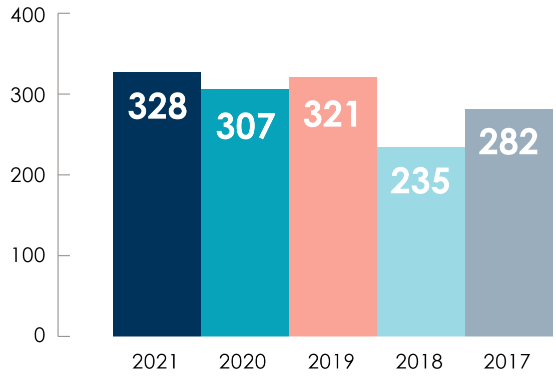
Other administrative expenses increased by 7.8 % to EUR 90.6 (84.0) million. ICT- expenses increased by 11.1 % to EUR 54.0 (48.7) million. Other personnel expenses decreased to EUR 4.7 (4.8) million and marketing costs increased by 5.4 % to EUR 6.7 (6.3) million.

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

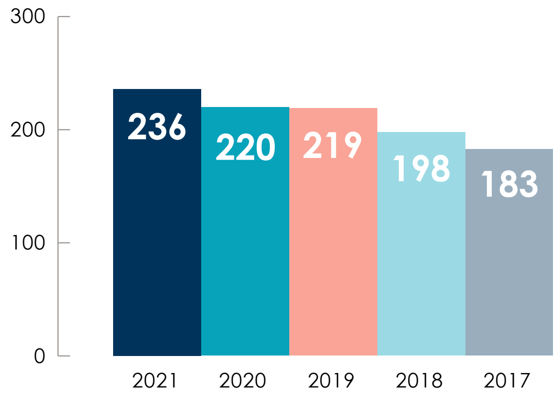
The Group's cost to income ratio was 72.1 (71.8) %.

A total of EUR 1.3 (19.8) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and they include the change in expected credit

TOTAL OPERATING REVENUE.
(million euros)



TOTAL OPERATING EXPENSES.
(million euros)



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

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

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2020)

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

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

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

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

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

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

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARISON FIGURES 31 DECEMBER 2020)

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

The capital requirement of Savings Banks Amalgamation was EUR 661.5 (663.0) million. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8 % minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures.

COMBINED CAPITAL REQUIREMENT, %

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

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

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

At its meeting on 29 June 2021, the Board of the Financial Supervisory Authority decided to change the maximum lending ratio so that the maximum lending ratio of other than first-home buyers is reduced by 5 percentage points to 85 %. The amendment entered into force on 1 October 2021. In addition, the Financial Supervisory Authority decided not to impose the countercyclical capital buffer requirement, which may range from 0 to 2.5 % of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

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

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

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation and capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. The Savings Banks Amalgamation does not have a trading book and the amalgamation's business does not involve taking commodity risk.

CAPITAL ADEQUACY'S MAIN ITEMS

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

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

LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation was 8.9 % (8.7 %) clearly exceeding the 3 % minimum requirement that became valid on 28 June 2021. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	31.12.2021	31.12.2020
Tier 1 capital	1,096,604	1,028,632
Total leverage ratio exposures	12,283,341	11,277,336
Leverage ratio	8,9 %	8,7 %

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

RESOLUTION PLAN

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In April 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement will enter into force in full as of 1 January 2022 for the Savings Banks Amalgamation and with transitional provisions as of 1 January 2022 for Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks. The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. The Financial Stability Authority decided that the MREL requirement applied to the Savings Banks Amalgamation is 19.49 % of the total risk exposure amount or 5.91 % of the total exposures, whichever is higher. As of 1 January 2024, the MREL requirement in full for Sp Mortgage Bank Plc is 15.71 % of the total risk amount or 5.91 % of the total exposures, whichever is higher. In addition to the requirement calculated on the basis of overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

RISK POSITION

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

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

The Central Institution approves the principles for the Group's internal control framework. Functions, which are independent of business operations, have been established within the Central Institution to ensure effective and comprehensive internal control in all the member companies within the Amalgamation and the Group.

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

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

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

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

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

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

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

CREDIT RATINGS

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

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

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

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

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

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

Pirkko Ahonen, chairman
(Aito Säästöpankki Oy)

Jari Oivo, deputy chairman
(Myrskylän Säästöpankki)

Jaakko Ossa
(Liedon Säästöpankki)

Ulf Sjöblom
(Tammisaaren Säästöpankki)

Tuula Heikkinen
(independent of Savings Banks)

Eero Laesterä
(independent of Savings Banks)

Katarina Segerståhl
(independent of Savings Banks)

Heikki Paasonen
(Säästöpankki Optia)

Hannu Syvänen
(Säästöpankki Sinetti) from 11 March 2021

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

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

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

NON-FINANCIAL REPORTING

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

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

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

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

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

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

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

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

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

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

PROMOTING SOCIAL WELL-BEING LOCALLY

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

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

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

PERSONNEL AND EXPERTISE

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

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

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

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

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

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

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

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

HUMAN RIGHTS

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

ENVIRONMENTAL RESPONSIBILITY

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

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

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

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

FINANCIAL RESPONSIBILITY

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

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

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

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

ANTI-CORRUPTION AND BRIBERY

The Savings Banks Group's Code of Conduct is aimed at ensuring that the Savings Banks Group operates responsibly, ethically and in compliance with laws and regulations. All employees are required to be familiar with the Code of Conduct and follow these principles. The Code of Conduct is supplemented by policies concerning conflicts of interest and the reporting of infringements. All Savings Banks Group employees are required to complete the online Code of Conduct training annually. So far, no sustainability indicators to be monitored have been set for this mandatory training. Our aim is to specify the set of indicators to be monitored with regard to the material sustainability themes in 2022.

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

CUSTOMER DUE DILIGENCE AND PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

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

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

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

RISK MANAGEMENT

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

INFORMATION SECURITY

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

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

EU TAXONOMY REPORTING OBLIGATIONS

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

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

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

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

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

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

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

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

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

OPERATIONS AND PROFIT BY BUSINESS SEGMENT

BANKING SERVICES

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

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

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

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

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

FINANCIAL PERFORMANCE (COMPARATIVE FIGURES 1—12/2020)

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

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

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

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

ASSET MANAGEMENT SERVICES

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

Net subscriptions to investment funds managed by Sp-Fund Management Company Ltd increased clearly from the comparison year. Its market share among Finnish fund management companies increased by 0.1 percentage points to 2.8 per cent at the end of the year. The number of new continuous fund saving agreements signed increased by 9.1 per cent year on year. 58 per cent of fund subscriptions and 16 per cent of continuous fund saving agreements were made electronically.

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

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

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

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1–12/2020)

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

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

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

OTHER FUNCTIONS

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

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

MATERIAL EVENTS AFTER THE CLOSING DATE

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

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

OUTLOOK FOR 2022

OUTLOOK FOR THE OPERATIONAL ENVIRONMENT

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

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

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

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

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

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

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

BUSINESS OUTLOOK

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

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

FURTHER INFORMATION:

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

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FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS:

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

ALTERNATIVE PERFORMANCE MEASURES

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

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

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS FINANCIAL STATEMENTS

SAVINGS BANKS GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1-12/2021	1-12/2020
Interest income		183,237	183,038
Interest expense		-17,199	-22,071
Net interest income	7	166,039	160,967
Net fee and commission income	8	114,882	99,742
Net investment income	9	17,223	19,569
Net life insurance income	10	18,511	18,335
Other operating revenue	12	10,912	7,974
Total operating revenue		327,566	306,588
Personnel expenses	13	-98,750	-89,510
Other operating expenses	14	-119,127	-110,046
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	15	-18,340	-20,601
Total operating expenses		-236,218	-220,157
Net impairment loss on financial assets	16	-1,297	-19,760
Associate's share of profits	24	-198	70
Profit before tax		89,854	66,740
Income tax expense	17	-17,091	-14,648
Profit		72,762	52,092
Profit attributable to:			
Equity holders of the Group		72,781	51,280
Non-controlling interests		-19	812
Total		72,762	52,092

SAVINGS BANKS GROUP'S STATEMENT OF COMPREHENSIVE INCOME

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

SAVINGS BANKS GROUP'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	19	1,017,904	1,183,519
Loans and advances to credit institutions	20	129,484	109,060
Loans and advances to customers	20	9,602,782	9,283,660
Derivatives	21	33,693	76,438
Investment assets	22	974,226	1,159,201
Life insurance assets	23	1,160,683	1,022,561
Investments in associates and joint ventures	24	102	300
Property, plant and equipment	25	46,222	52,151
Intangible assets	26	35,323	38,709
Tax assets	27	10,556	10,792
Other assets	28	68,120	160,670
Total assets		13,079,096	13,097,063
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	29	13,706	
Liabilities to credit institutions	30	423,705	389,879
Liabilities to customers	30	7,682,351	7,778,931
Derivatives	21	15,511	570
Debt securities issued	31	2,500,165	2,626,632
Life insurance liabilities	32	1,084,728	957,174
Subordinated liabilities	33	13,427	29,220
Tax liabilities	27	65,760	73,933
Provisions and other liabilities	34	89,450	85,015
Total liabilities		11,888,804	11,941,354
Equity			
Basic capital	35	25,235	25,236
Primary capital		32,452	32,452
Reserves	35	266,350	270,056
Retained earnings	35	864,871	826,526
Total equity attributable to equity holders of the Group		1,188,908	1,154,271
Non-controlling interests	35	1,384	1,438
Total equity		1,190,293	1,155,709
Total liabilities and equity		13,079,096	13,097,063

SAVINGS BANKS GROUP'S STATEMENT OF CASH FLOWS

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

Change in cash and cash equivalents	-156,150	491,659
Cash and cash equivalents at the beginning of the period	1,213,609	721,950
Cash and cash equivalents at the beginning of the period	1,057,459	1,213,609
Cash and cash equivalents comprise the following items:		
Cash	1,017,904	1,183,519
Receivables from central banks repayable on demand	39,555	30,090
Total cash and cash equivalents	1,057,459	1,213,609
Adjustments for items without cash flow effect		
Impairment losses on financial assets	1,306	19,760
Changes in fair value	-11,012	-16,689
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	21,774	24,609
Effect of associates on profit	198	-70
Adjustments for life insurance operations	33,828	5,433
Other adjustements	916	7,433
Gain or loss on sale of investment property and property, plant and equipment and intangible assets	2,317	497
Income taxes	17,091	14,648
Total Adjustments for items without cash flow effect	66,419	55,622
Dividends received	187,115	190,723
Interest paid	24,302	31,783
Dividends received	2,988	4,255

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

SAVINGS BANKS GROUP'S STATEMENT OF CHANGES IN EQUITY

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

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

BASIS OF PREPARATION

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

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

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 17 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc as well as the companies within the consolidation groups of the above-mentioned entities and Sp-Fund Management Company Ltd.

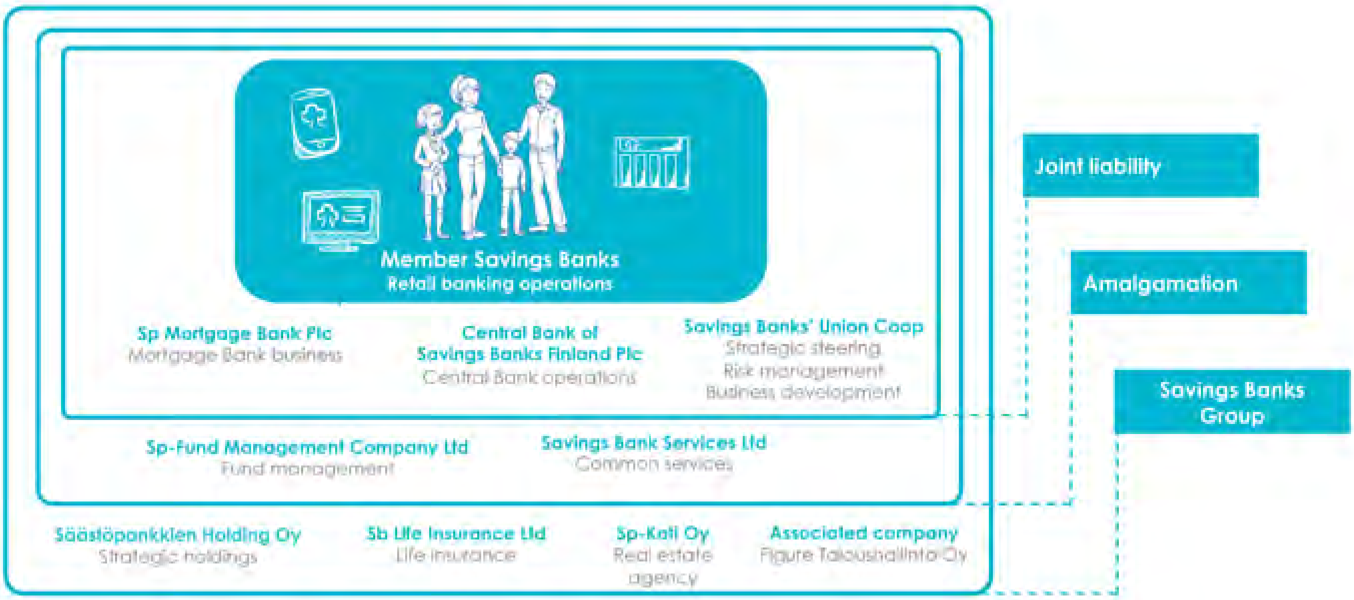
The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings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

Eurajoki Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 December 2021. In connection with this, Eurajoki Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 1 December 2021. According to the accounting principles confirmed by the Board of Directors of Savings Banks' Union Coop, Eurajoki Savings Bank's result for 2021 is included in the Savings Bank Group's result until the date of the demerger. The number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 18 to 17 due to Eurajoen Säästöpankki leaving the Group.

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

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

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



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

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

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

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

NOTE 2: ACCOUNTING POLICIES

1. GENERAL

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

In accordance with the principles of the Act on the Amalgamation of Deposit Banks as well as IAS 8 concerning accounting policies, changes in accounting estimates and errors, the Board of Directors of the Savings Banks' Union Coop confirms any accounting policy for which no guidance is available in the international financial reporting standards. The consolidation principles of the Savings Banks Group are discussed in more detail in the section "2 Consolidation principles".

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

Transactions denominated in foreign currencies outside the euro zone are translated into euros using the exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies outstanding on the closing date are translated into euros using the European Central Bank's average rate on the closing date. The exchange rate differences arising from valuation are recognised as Net income from foreign exchange operations under Net investment income in the income statement. Exchange rate differences arising from life insurance operations are included in Net life insurance income.

The Savings Banks Group's consolidated financial statements are prepared under the historical cost convention, except for financial assets and liabilities measured at fair value through other comprehensive income, financial assets or liabilities measured at fair value through profit or loss, and the hedged items of fair value hedges (hedged risk), which are measured at fair value.

Assets and liabilities are offset with the net amount presented in the consolidated balance sheet only if the Savings Banks Group holds a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.

In 2021, the Savings Banks Group adopted the agenda decision published by IFRIC in April concerning the accounting treatment of configuration and customisation costs of SaaS arrangements and whether the expenses should be recognised as intangible assets in accordance with IAS 38. The impact of adopting the agenda decision is presented in paragraph 7.1 of the basis of preparation, "Software as a Service (SaaS) projects".

2.CONSOLIDATION PRINCIPLES

Technical parent company

According to the Act on the Amalgamation of Deposit Banks, the Savings Banks Group's consolidated financial statements must be prepared as a combination of the financial statements or group financial statements of the Savings Banks' Union Coop and its member credit institutions. In addition, the consolidated financial statements include organisations over which the abovementioned organisations exercise joint control.

The Savings Banks' Union Coop and its member Savings Banks do not exercise control over each other. It is therefore not possible to define a parent company for the Savings Banks Group. The so-called technical parent company referred to in the Savings Banks Group's IFRS financial statements is formed out of 17 member Savings Banks, which jointly exercise control over the other organisations consolidated in the Savings Banks Group's IFRS financial statements. The technical parent company's mutual ownership, intercompany business transactions, mutual receivables and liabilities, internal distribution of profits and intercompany margins are eliminated.

The Savings Banks Group's basic capital consists of the Savings Banks' basic capital and share capital of the Savings Banks in the form of a limited liability company, excluding Nooa Savings Bank Ltd, which is a subsidiary jointly owned by the other member Savings Banks. According to Section 11 of the Savings Banks Act the basic capital is not repaid. The share capital is treated in accordance with the Act of Limited Liability Companies.

Subsidiaries

The Savings Banks Group's subsidiaries are entities over which the Savings Banks Group has control.

The Savings Banks Group has control in an entity if the Savings Banks Group has power over the entity and is exposed to the entity's variable returns or is entitled to its variable returns and the Savings Banks Group is able to use its power over the entity and thereby affect the amount of returns received.

The Savings Banks Group's mutual ownership is eliminated using the acquisition method. An asset used in the acquisition, the assets of the acquired entity and the assumed liabilities are valued at fair value at the time of acquisition. The part of the acquisition cost that exceeds the Savings Banks Group's share of the fair value of the net assets of the acquired company at the time of acquisition is recognised as goodwill. Negative goodwill is fully recognised as income at the time of acquisition.

All intragroup transactions, receivables, liabilities and unrealised profits as well as internal distribution of profits are eliminated when preparing the Savings Banks Group's consolidated financial statements.

The subsidiaries, associated companies and joint ventures acquired during the financial year are consolidated starting on the date when the Savings Banks Group acquired control or joint control. Similarly, the subsidiaries, associated companies and joint ventures which are sold during the financial year are consolidated until the control or significant influence ceases.

The Savings Banks Group has applied the exemption for first-time adopters in IFRS 1 First-time Adoption of International Financial Reporting Standards not to apply IFRS 3 Business Combinations retrospectively to prior business combinations that occurred before 1 January 2013. Subsidiaries acquired since 1 January 2013 are treated in accordance with IFRS 3 Business Combinations.

Structured entities

Structured entities are entities which have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are characterised by having a narrow and well-defined objective and often insufficient equity to finance their activities without subordinated financial support.

Within the Savings Banks Group, the entities identified as structured entities consist of mutual funds which are managed by Sp-Fund Management Company Ltd, a member of the Savings Banks Group, and over which the Savings Banks Group is considered to have the type of control as specified above. The funds to be consolidated on the basis of control are those in which the Savings Banks Group entities' ownership exceeds 40% as a longer-term investment and which Sp-Fund Management Company Ltd manages. Fund holdings are reviewed twice a year, on 30 June and 31 December. The ownership of companies within the Savings Banks Group must exceed 40% before the fund is consolidated in the Savings Banks Group's financial statements.

For the consolidated funds, the share of investors other than the Savings Banks Group is presented in the Savings Banks Group's financial statements as a liability. Upon initial recognition, the liability has been classified to be measured at fair value through profit or loss.

Associated companies and joint arrangements

Associated companies are entities over which the Savings Banks Group has significant influence but no control. Significant influence emerges, in principle, when the Savings Banks Group holds 20–50 per cent of the company's voting rights or when the Savings Banks Group otherwise has significant influence over the company.

An associated company is consolidated in the Savings Banks Group's financial statements using the equity method, meaning that the associated company's income statement and balance sheet are not included in the Savings Banks Group's income statement and balance sheet in full. The consolidated balance sheet presents the Savings Banks Group's share of the associated company's equity in the item Investments in associates, whereas the Savings Banks Group's share of the associated company's profits is presented in the consolidated income statement under Associate's share of profits. Under the equity method, on initial recognition the investment is recognised at cost, and the carrying amount is increased or decreased to recognise the Savings banks Group's share of the profit or loss of the investee after the date of acquisition.

Joint arrangements are arrangements where two or more parties have joint control. Joint arrangements are divided into joint ventures and joint operations. Joint ventures are consolidated in the Savings Banks Group's financial statements using the equity method. Mutual real estate companies are consolidated in the Savings Banks Group's financial statements as joint operations, and their assets and liabilities are consolidated in the Savings Banks Group's balance sheet in accordance with the share of ownership.

Non-controlling interests

Non-controlling interests in equity, profit for the year and other items within the comprehensive income statement are presented separately in the Savings Banks Group's income statement, comprehensive income statement and balance sheet. Loss for the year is also allocated to non-controlling interests even if doing so would result in a negative non-controlling interest.

The share of non-controlling interests in subsidiaries is valued either at fair value or at proportionate share of the subsidiary's net assets. The valuation principle is defined separately for each acquisition.

3. FINANCIAL INSTRUMENTS

3.1 Financial assets and liabilities

The Savings Banks Group applies IFRS 9 Financial instruments standard on recognition and measurement of financial instruments. For fair value hedges of the interest rate risk of a portfolio of financial assets or financial liabilities ("macro hedges") the Savings Banks Group continues application of IAS 39 Financial instruments: recognition and measurement standard.

Classification in the Savings Banks Group's balance sheet is independent of the IFRS 9 categories. Different valuation bases can therefore be applied to assets and liabilities recognised on the same line in the balance sheet. The classification of financial assets and liabilities recognised in the balance sheet into valuation categories is set out in Note 18.

Overlay approach

The equity instruments and fund investments associated with Sb Life Insurance's investment activities are classified as financial assets measured at fair value through profit or loss. For a significant portion of these instruments, the Savings Banks Group applies a temporary exemption permitted by IFRS 4, which restores the earnings effect of the instruments to be in accordance with IAS 39. This temporary exemption is referred to as the overlay approach.

The financial assets within the scope of the overlay approach are measured in the balance sheet at fair value and changes in their value are reported in equity, in the fair value reserve belonging to other comprehensive income. Changes in the fair value are recognised in the income statement when the asset is derecognised or when there is objective evidence of impairment. For equity instruments, a significant or long-term decrease of its fair value below its acquisition cost is considered objective evidence. If the fair value of an impaired equity instrument later increases, this increase is recognised in other comprehensive income.

The overlay approach aims to reconcile temporary earnings volatility resulting from the different dates of entry into effect of IFRS 9 and IFRS 17 when investments are measured at fair value through profit or loss in accordance with IFRS 9 but the related insurance liability cannot yet be measured at fair value through profit or loss in accordance with IFRS 17. The application of the overlay approach will end at the latest on 1 January 2023 when the IFRS 17 Insurance Contracts standard enters into effect.

3.1.1 Initial recognition

A financial asset or liability is recognised on the balance sheet when the Savings Banks Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognised and derecognised using trade date accounting.

Financial assets and liabilities are initially measured at fair value, and in the case of a financial asset or a financial liability not measured at fair value through profit or loss, plus or minus the transaction costs that are directly attributable to the acquisition or issue of that financial asset or financial liability. On subsequent periods transaction costs are recognised through profit or loss as an interest income or expense as a part of the effective interest rate of the financial asset or liability.

3.1.2 Classification of financial assets and the determination of classification

For the purposes of subsequent measurement, the Savings Banks Group classifies financial assets into following measurement categories:

- Amortised cost

- Fair value through other comprehensive income (fair value reserve)

- Fair value through profit or loss.

Financial assets are classified on initial recognition based on the business model used for managing the group of financial assets in which the financial assets is held and characteristics of the cash flows of the instrument, specifically, whether the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model refers to how the Savings Banks Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If cash flows are realised in a way that is different from the entity's expectations on the date that the entity assessed the business model, that does not give rise to a prior period error in the entity's financial statements nor does it change the classification of the remaining financial assets held in that business model.

Assessment of cash flow characteristics

Cash flow characteristics means the characteristics of the contractual cash flows of the financial asset. When assessing cash flow characteristics, it is determined whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, for example, interest only consists of consideration for the time value of money, credit risk and other basic lending risks. If the terms of the contract include factors that cannot be considered typical terms for lending, the financial asset is classified as measured at fair value through profit or loss.

Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest and payments of principal

Debt instruments are measured at fair value and changes in value, less deferred taxes and expected credit loss, are recognised in the statement of comprehensive income.

For debt instruments, the gain or loss on the transfer or sale of a financial asset measured at fair value through other comprehensive income is recognised through profit or loss.

On initial recognition the Savings Banks Group may make an irrevocable choice to present the subsequent fair value changes of an equity instrument in other comprehensive income. This election is made on instrument basis. These financial assets are measured at fair value and the change in value is recognised, less deferred taxes, in the statement of other comprehensive income. Dividends from equity instruments are recognised in profit or loss when the right to receive payment is established. Capital repayments from the share are recognised in the statement of other comprehensive income.

For equity instruments, unrealised gains or losses accrued in the fair value reserve are not transferred to be recognised through profit or loss at any stage. Instead, the recognition is made through retained earnings within equity.

Financial assets measured at fair value through profit or loss

All items that are not measured at amortised cost or recognised at fair value through other comprehensive income are recognised at fair value through profit or loss. However, a financial asset may, at initial recognition, be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Also classified as measured at fair value through profit or loss are investments in debt instruments for which the cash flow criteria cannot be considered to be met. The Savings Banks Group assesses the cash flow criteria separately for each instrument to determine whether the contractual terms of the item give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in the classification of financial assets

Investments in debt instruments are reclassified only when the Savings Banks Group changes the business models applied in the management of financial assets. The Savings Banks Group expects such changes to be highly infrequent and it has not reclassified any financial assets during the financial period 2019.

Changes in contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Savings Banks' Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

3.1.3 Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred, and the transfer qualifies for derecognition.

A financial asset is considered to be transferred if, and only if, the Savings Banks' Group either:

- transfers the contractual rights to receive the cash flows of the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions stipulated by IFRS 9. A contract can be considered to meet the conditions for such an arrangement if:
  - There is no obligation to pay amounts to the eventual recipients unless equivalent amounts are collected from the original asset
  - The selling or pledging of the original asset is prohibited by the terms of the transfer contract

When transferring a financial asset, the transfer qualifies for derecognition only if:

- The significant risks and rewards of ownership are transferred; or
- The significant risks and rewards of ownership are not transferred, or they have been retained, but control has been transferred.

A financial liability is derecognised from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

3.2. Determining fair value

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day.

A financial instrument's fair value is based on price quotations obtained from active markets or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of financial assets. If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model.

If there is no well-established valuation technique in the market, the fair value is determined based on a specific valuation model created for the product in question. The valuation models are based on widely used measuring techniques, incorporating all the factors that market participants would consider when setting a price. The valuation prices used include market transaction prices, the discounted cash flow method, as well as the fair value of another substantially similar instrument at the reporting date. The valuation methods take into account an estimate of credit risk, applicable discount rates, early repayment option, and other such factors that may impact reliable determination of the fair value of the financial instrument.

The fair values of financial instruments are divided into three hierarchical levels, depending on how the fair value is defined:

- Fair values quoted in active markets for identical assets or liabilities (Level 1)
- Fair values that are determined using other input data than the quoted prices at Level 1, which are observable for the assets or liabilities either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2)
- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data which is at the lowest level and is significant in respect of the whole item. The significance of input data is evaluated considering the whole item which is valued at fair value.

3.3. Impairment

3.3.1 Expected credit losses

The Savings Banks Group determines impairments for financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, debt instruments, loan receivables, guarantees and loan commitments.

The methods and parameters used to calculate expected credit losses are described in more detail in Note 16.

The loss allowance for expected credit loss on a loan is recognised on the balance sheet in a separate account. For loan commitments and financial guarantee contracts, the loss allowance is recognised on the balance sheet as a provision. For debt securities recognised at fair value through other comprehensive income, expected credit loss is recognised as an adjustment to the fair value reserve. Changes in expected credit losses recognised on the balance sheet are presented in the income statement item Impairment losses on financial assets.

3.3.2 Incurred credit losses

Non-recoverable loans and receivables are recorded as a permanent credit loss when the normal collection process is completed, and the final amount of the individual loan or receivable can be measured. Credit losses that are deemed permanent are derecognised as a counterpart to the income statement item Impairment losses on financial assets. Any payments received after derecognition are recognised as adjustments to the income statement item Impairment losses on financial assets.

3.4. Hedging and derivatives

The Savings Banks Group uses derivative contracts to hedge its interest rate risk from changes in fair value and cash flow and applies hedge accounting to hedging relationships. Fixed-rate borrowing is hedged for fair value changes, whereas the future interest of variable rate lending is hedged for cash flow changes. The aim of hedging is to stabilise net interest income and to neutralise potential change in the fair value of assets and liabilities.

For hedging relationships under general hedge accounting (cash flow hedging and fair value hedging), the Savings Banks Group has adopted IFRS 9, while for macro hedging, the Savings Banks Group will continue to apply IAS 39 “carve out”-regulation until the macro hedging supplement enters into effect.

Derivative contracts are measured at fair value. The fair value of derivatives that hedge fair value is recognised in the balance sheet as a derivative receivable or liability and the change in fair value is recognised in the income statement under “Net investment income”. When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortised cost. A change in the hedged item’s fair value is recognised as an adjustment to the balance sheet item in question and in the income statement under “Net investment income”. Interest on hedging derivatives is presented as interest income and expense depending on their nature.

The effective portion of the fair value changes of derivatives hedging cash flow is recognised in the fair value reserve in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised in the income statement under “Net investment income”. The cumulative change in the fair value reserve resulting from valuation of a hedging derivative is recognised in profit or loss as an adjustment of the hedged cash flow simultaneously with recognising the hedged cash flow. Interest on hedging derivatives is presented as interest income and expense depending on their nature.

When hedge accounting begins, the hedging relationship between the hedged item and the hedging derivative is documented, along with the risk management objectives and the strategy for initiating hedging. The effectiveness of the hedging relationship is assessed regularly and always on reporting dates.

4. LEASES

Savings Banks Group as the lessee

At the inception of a contract and when the terms and conditions of a contract are changed, Savings Banks Group assesses whether the contract contains a lease. This assessment is carried out for each lease component within the contract. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control if:

- The contract pertains to an identified and separate asset.
- The contract conveys the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use.
- The contract conveys the right to direct the use and purpose of the identified asset.

At the commencement date of a lease, the lease liability is equal to the present value of the lease payments payable during the lease term. The leases consist of fixed payments and variable lease payments, which depend on an index. Lease liabilities are subsequently measured at amortised cost using the effective interest method. Lease liabilities are reassessed if the future considerations change as a result of a contractual change in an index or price, if the lease term or amount of residual value guarantee changes, or if a purchase option is exercised. If the amount of the lease liability is adjusted due to the reassessment, a corresponding adjustment is made to the right-of-use asset.

The lease term begins at the commencement date specified in the lease. The end of the lease term is determined by the lease. The lease term is reassessed if an option to extend the lease is exercised differently than initially assessed. If the lease term is indefinite, the end of the lease term is considered to be the earliest possible date of termination specified in the lease. The exception to this rule is properties for which the location determines the end of the lease term. In Savings Banks Group's strategy, for leased properties located in growth centres or significant regional centres, the lease term is three years. For properties in other locations, the lease term is one year. The discount rate used is the interest rate at which the Central Bank of Savings Banks provides financing to Savings Banks Group banks.

The value of a right-of-use asset at the commencement date is the lease liability plus payments made to the lessor at or before the commencement date, estimated restoration costs at the end of the lease term and initial direct costs. A right-of-use asset is subsequently measured at cost and amortised according to the lease term.

Savings Banks Group recognises leases as a right-of-use asset under "Right-of-use assets" and a liability under "Provisions and other liabilities".

Savings Banks Group's leases can be categorised by the following underlying assets:

- Machinery and equipment
- Real estate and apartments
- Information systems
- Others

Short-term leases and assets of low value

IFRS 16 contains two exemptions concerning recognition and measurement. Savings Banks Group has decided that leases with a term of 12 months or less and assets whose value does not exceed EUR 5,000 are not recognised as right-of-use assets and no lease liabilities are recognised for them. Savings Banks Group expenses such short-term leases and assets of low value during the lease term.

Savings Banks Group as the lessor

Savings Banks Group does not act as a lessor in finance leases. Items leased under an operating lease are presented under "Investment assets" (investment properties) or "Intangible assets" and the lease income is recognised on a straight-line basis over the lease term under the income statement item "Net income from investment assets" or "Other operating revenue". In Savings Banks Group, assets leased under an operating lease include residential properties owned by a bank.

5. EMPLOYEE BENEFITS

Employee benefits include short-term employee benefits, termination benefits, post-employment benefits and other long-term employee benefits. IAS 19 Employee Benefits determines the accounting treatment of employee benefits.

Short-term employee benefits include e.g. wages, salaries and benefits, annual leave, bonuses, extra insurances and loans granted with an interest rate lower than the market rate. Short-term employee benefits are expected to be paid in full within 12 months after the end of the financial year during which employees perform the work concerned.

Termination benefits are based on the termination of employment, not on the work performed. These benefits consist of redundancy benefits.

Post-employment benefits are paid after the termination of employment. They consist of pensions or other benefits payable after the termination of employment, such as life insurance or health care. Pension plans relating to post-employment benefits are classified as defined benefit plans or defined contribution plans.

For defined contribution plans, the Savings Banks Group pays fixed pension contributions to pension insurance companies. The Savings Banks Group has no legal or actual obligation to make additional payments in case the pension insurance company is not able to make the benefit payments. The most significant contribution-based plan is the basic employee insurance (TyEL) subject to the Pensions Act. Independent pension insurance companies are responsible for this pension scheme within the Savings Banks Group.

The Savings Banks Group also has defined benefit plans, for which the Savings Banks Group still has obligations after making the payments for the financial period. For benefit-based pension plans, the present value of obligations arising from the plan at the reporting date less the fair value of plan assets is presented as a liability.

The Savings Banks Group uses a professionally qualified actuary to determine the essential obligations arising from post-employment benefits. The calculation is performed using the projected unit credit method. When calculating the present value of the pension obligation, the discount rate is determined on the basis of the market return on high-quality corporate bonds at the reporting date.

Other long-term employee benefits are based on long-term employment. Such benefits include e.g. paid vacation and bonuses or gifts, which are granted on the basis of accumulated years of service.

6. LIFE INSURANCE ASSETS AND LIABILITIES

Classifying insurance policies into insurance and investment contracts

Life insurance policies granted by the Savings Banks Group are classified as either insurance contracts or investment contracts. Insurance policies classified as insurance contracts include those with a significant insurance risk or where the policyholder has the right or the opportunity to amend the agreement in such a way that he becomes entitled to a discretionary share of the company's surplus. Purely unit-linked insurance policies which do not have a significant insurance risk are classified as investment contracts.

The Savings Banks Group's insurance contracts are treated in the Savings Banks Group's financial statements in accordance with IFRS 4 Insurance Contracts. Policies classified as investment contracts (asset management policy), on the other hand, are treated in accordance with IAS 39. Reinsurance contracts are treated in accordance with IFRS 4 as insurance contracts.

Liabilities for insurance and investment contracts

Insurance liabilities are recognised in accordance with the Finnish Accounting. The actuarial basis of calculation used when determining insurance contract liability complies with the requirements of national regulations. The basis includes assumptions about biometric factors, operating costs and the interest rate.

Insurance contract liability for unearned premiums and the liability for outstanding pensions are defined based on insurance savings, which consist of premiums paid, credits, debits and value changes, supplementing it with future interest and operating expense. The discount rate for insurances entitling the policyholder to discretionary benefits is at maximum 0.5 per cent. The average discount rate is 0.1 per cent.

Outstanding claims provisions other than the liability for outstanding pensions are short-term liabilities which consist of reported but not settled claims and incurred but not reported claims. Liability for the reported but not settled claims is valued at nominal value, whereas liability for incurred but not reported claims is calculated on an actuarial basis.

Reinsurance-related receivables and liabilities are measured similarly to the cedant's liabilities and assets. Should the company have any due receivables, these receivables would incur impairment in profit or loss.

Liability arising from investment contracts is measured in accordance with the market value of the assets related to the investment contracts.

Adequacy test of liabilities for insurance policies

According to IFRS 4, an insurer shall assess at each reporting date whether the recognized insurance liabilities are adequate, using current estimate of future cash flows from insurance contracts. Liability adequacy test is performed on the insurance contracts of the Savings Banks Group, which are valued according to IFRS 4. In the liability adequacy test, the liability book value based on the national principles for insurance contracts is compared with the present value of all of the cash flows related to the insurance contracts including a risk margin. If the liability adequacy test shows that the liability calculated based on the Finnish accounting principles is, as a whole, less than the market value of liability, then an add-on equal to the difference between the two liabilities is added to the liability of the Savings Banks Group.

The life insurance business' equity principle

The objective of the Savings Banks Group's life insurance business is in the long term to provide the insurance savings with discretionary benefits a total benefit (before charges and taxes) equivalent to the level of return on the Finnish government's long-term bond yields. For savings insurance policies, the target is to achieve a level of return equivalent to that of 5-year bonds, whereas for pension insurances the target level for return equals 10-year bonds. The total benefit of an investment policy refers to the technical or annual interest of the insurance contract and to the additional interest credited to the contract.

7. INTANGIBLE ASSETS

An intangible asset is an identifiable asset that has no physical substance. The intangible assets of the Savings Banks Group include e.g. computer softwares and software licenses.

An intangible asset is recognised in the balance sheet only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Savings Banks Group and the acquisition cost of the asset can be measured reliably. The future economic benefits may include sales revenue on services or goods, cost savings or other benefits resulting from the Savings Banks Group utilising the asset.

Intangible assets are initially measured at cost. The cost comprises the purchase price, including all costs that are directly attributable to preparing the asset for its intended use. The acquisition cost does not include the costs of using the asset, staff training expenses or administration and other general overhead costs.

After initial recognition, an intangible asset is recognised at its cost less accumulated amortisation and impairment.

Intangible assets are amortised on a straight-line basis over the cause of their known or estimated useful lives. The useful life of intangible assets is reviewed annually.

Amortisation begins when the asset is available for use. An intangible asset that is not yet available for use is tested for impairment annually.

Estimated useful lives are mainly as follows:

Information systems purchased from a third party	3–5 years
Basic systems	5–10 years
Other intangible assets	2–5 years

Intangible assets are recognised in the item Intangible Assets in the balance sheet. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

7.1 Software as a Service (SaaS) projects

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

Cloud-based SaaS arrangements are arrangements in which the Savings Banks Group does not own the software it uses and the software is not installed in the Savings Banks Group's system environment or on its servers. Instead, its use is based on need, and it is accessed via the Internet or other specified data connection.

Direct costs of deployment, such as the configuration and customisation of the software or system that is the subject of the SaaS arrangement, are recognised on the balance sheet only when the SaaS arrangement generates an intangible asset that is recognised on the balance sheet. Typically, a SaaS arrangement does not meet the criteria for intangible assets because the contract does not constitute control for the buyer, as required by IAS 38.13–16.

The accounting treatment of deployment costs arising from SaaS arrangements is determined by the conclusion as to whether the services are separable from access to the software that is the subject of the arrangement and whether the direct deployment costs create an intangible asset.

The services are considered to be separable from access to the software if the Savings Banks Group produces the services with its internal resources or if the Savings Banks Group purchases the services from a third party that is independent of the SaaS provider. When the service is provided by the SaaS provider or when the SaaS provider subcontracts the services to a third party, the service is considered to be separable if it could be provided by another service provider without at the same time giving access to the software that is the subject of the arrangement.

If the service can only be provided by the SaaS provider, the service is not separable from access to the system. In this case, the deployment costs paid for the service are recorded as an expense for the period during which the Savings Banks Group has access to the software that is the subject of the arrangement.

Expenses arising from the construction of interfaces between software that is recorded as intangible assets on the balance sheet and used through a cloud-based service that is controlled by the Savings Banks Group may meet the criteria of an intangible asset.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The Savings Banks Group's property, plant and equipment include e.g. owner-occupied property as well as machinery and equipment. In addition, the Savings Banks Group has investment properties which produce rental income.

The Savings Banks Group's properties are divided according to the purpose of use into owner-occupied properties and investment properties. The purpose of investment property is to produce rental income or capital appreciation. Some of the properties are used partly as an investment and partly in own or personnel use. If these parts could be sold separately, the Savings Banks Group accounts for them separately according to the purpose of use. If the parts cannot be sold separately, the property is treated as an investment property only if an insignificant part of the property is used by the Savings Banks Group or the personnel. The division is done in proportion to the square meters used for different purposes.

Property, plant and equipment are recognised under the item Property, plant and equipment and investment property under the item Investment assets in the balance sheet. Investment property relating to life insurance business is recognised under Life Insurance assets in the balance sheet.

In the income statement, income related to owner-occupied property is recognized under Other operating income and related cost under Operating expenses. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

In the income statement, net income from investment property, including amortisation and impairment on investment property, is included in "Net investment income" and that related to life insurance under "Net life insurance income".

Property, plant and equipment and investment property are measured at cost less depreciation and impairment. The acquisition cost includes all costs that are directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over the cause of their estimated useful lives. Land is not depreciated. Costs generated after the original acquisition are capitalised in the carrying amount of the asset only when it is probable that the asset will generate greater economic benefits than was initially estimated.

Estimated useful lives are in mainly as follows:

Buildings	10-50 years
Technical equipment in buildings	3–8 years
Renovations in rented premises	3–10 years
Machinery and equipment	3–10 years

For right-of-use assets, the useful lives are described in section "4. Leases".

The residual values and useful lives of the assets are reviewed at each reporting date and adjusted to reflect expected changes in economic benefit, if necessary.

Gains and losses resulting from decommissioning and disposal of Property, plant and equipment are presented under other operating income and expenses in profit or loss. Gains and losses generated by investment property are presented under net investment income. Capital gain or loss is determined by the difference between the selling price and the remaining acquisition cost.

9. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Savings Banks Group has a legal or constructive obligation as a result of a past event and it is probable that the obligation will be settled, and the management can reliably estimate the amount of the obligation. Where part of the obligation is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset when it is virtually certain that reimbursement will be received. Provisions are reviewed at each reporting date and adjusted if necessary. Provisions are measured at the present value of the amount that is expected to meet the obligation.

If the above obligation exists but the requirements for recognition are not fulfilled, the obligation is a contingent liability. Contingent liabilities are not recognised in the balance sheet; instead, it is presented in the notes to the financial statements. A contingent liability shall also be assessed separately at each reporting date.

10. TAXES

The Savings Banks Group's income taxes include the current tax of the member companies, adjustments to previous years' taxes and changes in deferred tax balances. Taxes are recognised in profit or loss, except when they are directly related to equity or other comprehensive income. In that case, also the tax is recognised in those items.

Deferred taxes are calculated based on taxable temporary differences between accounting and taxation. Deferred tax assets and liabilities are offset for each company. Deferred tax assets and liabilities arising from consolidation are not offset. Deferred tax is measured in accordance with IAS 12 based on the effective tax rates at the reporting date which are applicable when the deferred tax is expected to be converted to income tax. A change in deferred tax resulting from a change in tax rates is recognised in the income statement or in other comprehensive income if the tax was recognised there in previous financial periods.

Tax assets arising from confirmed unused tax losses are recognised if it is probable that future taxable profit will be available, and the assets can be utilised.

11. REVENUE RECOGNITION

Interest income and expense

Interest income and expense are accrued over maturity using the effective interest rate method. Using this method, the income and expenses arising from an instrument are accrued in relation to the residual receivable and liability in the balance sheet until maturity. Interest income and expense related to life insurance financial assets are recognised under "Net income from life insurance" in the income statement.

When a financial asset is impaired, the original effective interest rate is used when calculating interest income. Interest is calculated for the loan balance less impairment.

Fee and commission income

Fee and commission income are generally recognised on an accrual basis. Fees and commissions for performing an operation or service are recognised as income when the operation or service is completed. Fees and commissions accruing over several years are recognised for the amount attributable to the current financial year. Fees and commissions that are considered an integral part of the effective interest of a financial instrument are recognized as an adjustment to the effective interest. However, fees and commissions for financial instruments measured at fair value through profit or loss are recognised as income at the time of the initial recognition of the instrument.

Net investment income

Net investment income includes net income from financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income (capital gains and losses, expected credit losses and dividend income) and net income from investment property (rental and dividend income, capital gains and losses, maintenance charges and expenses, depreciation and amortization and rental expenses). In addition, this item includes net income from foreign exchange operations and net income from fair value hedge accounting.

Net life insurance income

Net life insurance income includes premiums written, net investment income for life insurance, including e.g. net income from investment property, interest income and expense, as well as dividend income. Furthermore, claims incurred and changes in insurance contract liabilities are recognised in this item.

Other operating revenue

Other operating revenue includes rental and dividend income as well as capital gains from owner-occupied property and other operating income.

12. ADOPTION OF NEW IFRS STANDARDS AND INTERPRETATIONS

New and amended standards applied in financial year ended

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

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

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

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

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

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

13. ADOPTION OF NEW AND AMENDED STANDARDS IN FUTURE FINANCIAL YEARS

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

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

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

3.1 Determination of expected credit losses

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

- Selection of the models used in the calculations so that they illustrate the expected credit losses of the contract portfolio as accurately as possible.

- Assumptions and expert assessments included in the models

- Defining the quantitative and qualitative criteria for a significant increase in credit risk

- Selection of the macroeconomic factors describing future economic development used in the calculations so that changes in the selected factors are correlated with the probability of contract default.

- Preparing economic forecasts and predicting the probability of their future realisation.

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

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

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

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

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

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

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

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

In October, the Savings Banks Group updated the economic forecasts used in the calculation of expected credit losses and the weights set for the scenarios. Further details on the key macroeconomic variables and the weights assigned to the scenarios in the economic forecasts are presented in Note 16, "Impairment losses on financial assets".

3.2 Determining fair value

When determining fair values, the management must consider whether there is price information available in the market that can be considered a reliable indication of the financial instrument's fair value. The assessments are based on a view of the functioning of the market and the trading activity for the financial instrument in question.

On the financial statements date, the Savings Banks Group's financial instruments measured at fair value consisted mainly of listed financial assets for which a public price quotation is available or financial assets for which fair value measurement is based on verifiable market information, such as interest rate data. In the view of the management of the Savings Bank Group, the conditions regarding the functioning of the market and the trading activity of the individual financial instruments are met and, consequently, the price information obtained from the market can be considered a reliable indication of the fair value of the instruments.

The management's judgement is required in circumstances where fair value price information is not available in the market and the fair value of a financial instrument needs to be determined using a valuation technique. In such circumstances, the valuation techniques and inputs used to measure fair values are based on the management's assessment of the market practices used to measure the value of the instruments in question. The Savings Banks Group only has a small number of financial instruments whose fair value is measured using valuation techniques, and there were no substantial changes in their amount during the past financial year.

3.3 Impairment of non-financial assets

At each reporting date, the Savings Bank Group assesses whether there is evidence of impairment of incomplete assets. Impairment testing is also carried out whenever there is any indication of impairment. Assessment of impairment of incomplete intangible assets requires the management's judgment.

3.4 Determination of Life Insurance liabilities

Liabilities arising from insurance contracts involve several discretionary factors and estimates, such as assumptions about future interest rates, mortality, and probability of disability and future cost levels. The principles used to calculate life insurance liabilities are described in more detail in section Liabilities for insurance and investment contracts in the accounting policies.

3.5 Present value of pension obligation

The present value of pension obligation is based on actuarial calculations, which include a number of discretionary assumptions related to e.g. discount rate, future increases in salaries, wages and pension, as well as inflation. Changes in actuarial assumptions affect the carrying amount of pension obligations.

RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT POLICIES OF THE GROUP

NOTE 4: CORPORATE GOVERNANCE POLICIES

Savings Banks' Union Coop General Meeting

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

Supervisory Board

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

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

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

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

Board of Directors

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

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

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

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

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

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

Syvänen. The Directors are CEOs or members of the board of directors of the Savings Banks, except Mrs. Tuula Heikkinen, Mr. Eero Laesterä and Mrs. Katarina Segerståhl, who are the independent members of the Board of Directors.

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

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

Committees

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

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

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

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

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

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

Managing Director

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

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

Audit

The Central Institution has one auditor, which must be an audit firm approved by the Finnish Central Chamber of Commerce. This auditor also audits the combined financial statements as defined in the Amalgamation Act.

The auditor is appointed by the general meeting. The auditor's term of office ends at the conclusion of the regular cooperative meeting following the appointment.

The auditor responsible for the Savings Banks Group's Central Institution is the audit firm KPMG Oy Ab. The firm has appointed Mr. Mikko Kylliäinen, APA, as the auditor in charge.

LEGAL STRUCTURE OF THE SAVINGS BANKS AMALGAMATION AND SAVINGS BANKS GROUP

The Savings Banks Amalgamation and Savings Banks Group have been described in more detail in note 1 to the financial statements.

Members of the Savings Banks' Union Coop

As of 31 December 2021, the Savings Banks' Union Coop members were:

Aito Säästöpankki Oy

Avain Säästöpankki

Ekenäs Sparbank Ab

Helmi Säästöpankki Oy

Kvevlax Sparbank

Lammin Säästöpankki

Liedon Säästöpankki

Länsi-Uudenmaan Säästöpankki

Mietoisten Säästöpankki

Myrskylän Säästöpankki

Nooa Säästöpankki Oy

Närpes Sparbank Ab

Someron Säästöpankki

Säästöpankki Kalanti-Pyhäranta

Säästöpankki Optia

Säästöpankki Sinetti

Ylihärmän Säästöpankki

Central Bank of Savings Bank Finland Plc

Sp Mortgage Bank Plc

Risk management and internal control framework of the Savings Banks Amalgamation

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

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

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

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

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

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

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

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

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

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

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

- Risk control
- Compliance
- Internal audit

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

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

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

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

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

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

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

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

Member credit institutions' solvency and its control

The minimum own funds of a member credit institution may, with the consent of the Central Institution, be lower than what is required by the Act on Credit Institutions. The member institution must secure its solvency by having own funds in the amount of at least 80% of the amount required by the Act on Credit Institutions.

The Central Institution may also allow a member institution to exceed the customer risk limits laid down in the Act on Credit Institutions. The Central Institution may allow, for the maximum period of three years at a time, that an individual customer risk of a member credit institution is up to 40% of the institution's own funds, while the relevant limit set in the Act on Credit Institutions is 25%. Customer risks of credit institutions and investment service companies are regulated separately in the Amalgamation Act. Similarly, the maximum percentages regarding ownership in business associations may, with the Central Institutions consent, be raised to 25% and 75%, respectively, of own funds, while the Act on Credit Institutions has set the limits at 15% and 60%.

Moreover, the Central Institution may decide that its member credit institutions are not subject to the solvency requirements set for credit institutions in Part 6 of the EU Capital Requirements Regulation and other EU regulations based on it.

The Central Institution may also decide that the provisions of Chapter 9 of the Act on Credit Institutions and the EU Capital Requirements Regulation regarding qualitative risk management of credit institutions and their consolidation groups do not apply, partly or fully, to its member credit institutions and companies in their consolidation groups.

The Central Institution may grant the above waivers provided it meets the requirements laid down in Section 17 of the Amalgamation Act and the Finnish Financial Supervisory Authority's regulations based on the Act along with other legal requirements, and that the Financial Supervisory Authority, based on the above, has granted to the Central Institution the authority to make such decisions. The Central Institution may not grant such waiver to a member credit institution which has significantly and repeatedly failed to comply with the Central Institution's guidelines referred to in Section 17, obligations provided for in section 23 or under the authorization of the Financial Supervision Authority. The exemption shall be valid for a maximum of three years at a time and may be revoked by the Central Institution if, during its term, the member credit institution fails to comply with its obligations set out above.

Joining the Savings Banks Amalgamation; withdrawal from membership

Members of the Central Institution may include credit institutions whose rules or Articles of Association are in line with the provisions of the Amalgamation Act and whose rules or Articles of Association the Central Institution has approved. Admission of new members is decided upon by the General Meeting.

A member credit institution has a right to withdraw its Central Institution membership. Regardless of withdrawal, the aggregate amount of the member companies` own funds must remain at the level required by the Amalgamation Act.

A member credit institution may also be removed from the Central Institution membership in accordance with the Cooperatives Act. A member may also be expelled if it has failed to comply with the Central Institution's guidelines issued by virtue of Section 17 of the Amalgamation Act in a manner that puts the liquidity or solvency management or the application of uniform accounting principles or their monitoring in the Amalgamation at a significant risk. Expulsion is also possible if a member institution acts materially in breach of the Amalgamation's general operating principles confirmed by the Central Institution.

The provisions of the Amalgamation Act governing the payment liability of a member credit institution also apply to a former member institution if less than five years have passed from the end of the calendar year of the member credit institution's withdrawal or expulsion when a demand regarding payment liability is made on the member credit institution.

Financial statements and audit of the Savings Banks Group

The Savings Banks Group's financial statements combine the financial statements of all its significant member organisations. Pursuant to the Amalgamation Act, the Savings Banks Group's financial statements must be prepared in accordance with the international accounting standards referred to in the Accounting Act. As per these standards, the financial statements must include all other significant organisations belonging to the Savings Banks Group. The Finnish Financial Supervisory

Authority has issued detailed instructions regarding the preparation of the Savings Banks Group's financial statements. The principles followed in preparing the financial statements are described in the Note 2 of the financial statements. Member credit institutions have no obligation to publish an interim report as referred to in Section 12 of Chapter 12 of the Act on Credit Institutions.

The Central Institution is obliged to advise its member credit institutions in applying uniform accounting principles. The member credit institutions must give the Central Institution the information needed for the consolidation. Furthermore, the Central Institution and its auditor have a right to request a copy of a member Credit Institution's audit documentation for auditing the consolidated financial statements.

The financial statements are presented to the ordinary general meeting of the Savings Banks' Union Coop.

Payment liability of the central institution and mutual responsibility of member credit institutions

According to the Amalgamation Act, the Central Institution must, as a supporting measure, pay to a member credit institution an amount needed to prevent its liquidation. The Central Institution is also liable for a debt a member credit institution cannot pay from its own funds.

The member credit institutions must pay to the Central Institution their share of the amount the Central Institution has paid either to another member credit institution as a supporting measure or to the creditor of another member credit institution as payment for a debt for which the creditor has not been able to obtain payment from the member credit institution. In the event of the Central Institution's insolvency, member credit institutions also have an obligation to pay unlimited additional amounts towards the Central Institution's debt, as provided in the Cooperatives Act.

Each member institution's liability of the amount of the Central Institutions payment is divided between the member credit institutions in proportion to their latest confirmed balance sheet totals. In each financial year, the combined annual payments collected from a member credit institution as a supporting measure to prevent another member's liquidation may not exceed, in total, five thousandths of its latest confirmed balance sheet total.

Deposit Guarantee Fund and Investors' Compensation Fund

According to the legislation concerning the Deposit Guarantee Fund, the deposit banks of the Savings Banks Amalgamation are considered to constitute a single bank in respect of deposit protection. The Deposit Guarantee Fund reimburses a maximum of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the Savings Banks Amalgamation.

Under the legislation concerning the Investors' Compensation Fund, the Savings Banks Amalgamation is also regarded as a single bank for the purposes of compensation protection. The Investors' Compensation Fund's assets may be used to compensate an investor's receivables from organizations belonging to the Savings Banks Amalgamation to a maximum of EUR 20,000.

Remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The salaries, wages and remuneration of the financial year are shown in the note 13 of the financial statements titled "Personnel expenses".

NOTE 5. RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

General principles and objectives for risk management

The Savings Banks Group is a financial group comprising 17 Savings Banks and their central institution, the Savings Banks' Union Coop, as well as their subsidiaries and associated companies. The Savings Banks Group does not form a financial and insurance conglomerate as defined in the Act on the Super-vision of Financial and Insurance Conglomerates.

The member organizations of the Savings Banks Amalgamation form a financial entity as defined in the Amalgamations Act, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the central institution of the Amalgamation, 18 independent, local and regional Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Fund Management Company Ltd, along with Savings Bank Services Ltd, which is 100 % owned by the Savings Banks' Union Coop.

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

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

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

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

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

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

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

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

Risk management principles and governance

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

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

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

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

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

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

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

- Risk Control
- Compliance
- Internal Audit

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

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

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

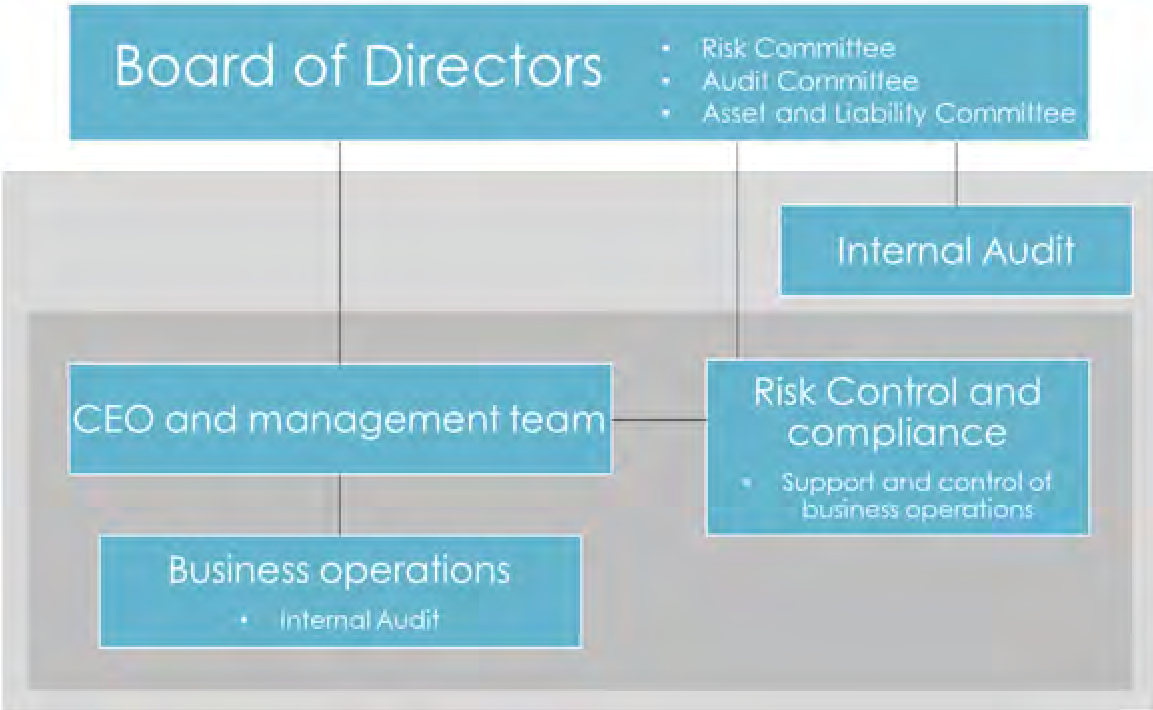


Chart: Risk management governance of the Central Institution

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

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

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

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

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

Pillar III disclosure principles

The Savings Banks Amalgamation's Pillar III disclosure principles have been established 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 objective of the Pillar III disclosure principles is to ensure that the amount and quality of the published information is adequate in relation to the nature, scale, complexity and risk level of the Savings Banks Amalgamation's business operations and taking into account the specific features of the Savings Banks Amalgamation's business operations. To achieve this objective, the Savings Banks Amalgamation assesses the materiality of the information from the stakeholder point of view and evaluates what can be classified as proprietary or confidential information. The Savings Banks Amalgamation publishes all relevant information of the business and various risk areas, which are based on a selected business strategy.

The Savings Banks Amalgamation's Board of Directors approves the Pillar III disclosure principles and the Central Institution's management prepares the disclosure principles. The principles are updated at least annually or whenever the Savings Banks Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially. The Pillar III information of 2020 is published in the separate Pillar III 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.

Capital adequacy management

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

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

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

Stress test

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

Capital contingency plan

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

Pillar I – capital requirement

The biggest capital requirements for the credit and counterparty risk are coming from the exposures secured by mortgages on immovable properties, corporate and retail exposures. 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. 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.

Pillar 1 capital requirement (EUR 1,000)	31.12.2021	31.12.2020
Exposures to central governments or central banks		
Exposures to regional governments or local authorities	60	36
Exposures to public sector entities	24	25
Exposures tu multilateral development banks		
Exposures to international organisations		
Exposures to institutions	4,101	3,748
Exposures to corporates	100,190	88,328
Retail exposures	69,806	69,344
Exposures secured by mortgages on immovable property	186,293	186,254
Exposures in default	7,827	4,706
Exposures associated with particularly high risk		1,093
Exposures in the form of covered bonds	196	286
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assesment		
Exposures in the form of units or shares in collective investment undertakings (CIUs)	10,610	28,769
Equity exposures	9,664	6,390
Other items	9,136	9,431
Capital requirements for credit and counterparty credit risk	397,906	398,409
Capital requirement for credit value adjustment (CVA)	6,678	8,938
Capital requirement for market risk		2,391
Capital requirement for operational risk	45,549	41,368
Total capital requirement	450,133	451,105

Own funds and capital ratio

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

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

COMBINED CAPITAL REQUIREMENT, %

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

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

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

At its meeting on 29 June 2021, the Board of the Financial Supervisory Authority decided to change the maximum lending ratio so that the maximum lending ratio of other than first-home buyers is reduced by 5 percentage points to 85 %. The amendment entered into force on 1 October 2021. In addition, the Financial Supervisory Authority decided not to impose the countercyclical capital buffer requirement, which may range from 0 to 2.5 % of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

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

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

CAPITAL ADEQUACY'S MAIN ITEMS

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

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

Leverage ratio

The leverage ratio of the Savings Banks Amalgamation was 8.9 (8.7) % clearly exceeding the 3 % minimum requirement that became valid on 28 June 2021. The leverage ratio has been calculated according to the current regulation, and it describes the ratio of the Savings Banks Amalgamation's Tier 1 capital to total liability.

LEVERAGE RATIO

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

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

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In April 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement will enter into force in full as of 1 January 2022 for the Savings Banks Amalgamation and with transitional provisions as of 1 January 2022 for Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks. The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. The Financial Stability Authority decided that the MREL requirement applied to the Savings Banks Amalgamation is 19.49 % of the total risk exposure amount or 5.91 % of the total exposures, whichever is higher. As of 1 January 2024, the MREL requirement in full for Sp Mortgage Bank Plc is 15.71 % of the total risk amount or 5.91 % of the total exposures, whichever is higher. In addition to the requirement calculated on the basis of overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

BANKING SEGMENT

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.

Management and measurement of credit risk

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

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

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

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

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

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

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

CREDIT AND COUNTERPARTY RISK

(EUR 1,000)	31.12.2021			
Exposure group	**Total exposure**	**Guarantees**	**Financial guarantees**	**Other guarantees**
Exposures secured by mortgages on immovable property	6,899,632			6,899,632
Retail exposures	2,298,465	678,334	53,469	1,872
Exposures to corporates	1,640,205	114,906	17,832	
Exposures to institutions	239,090			
Exposures to central governments or central banks	1,291,796			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	108,099			
Exposures in default	124,355	3,509	1,219	16
Othe exposure groups in total	257,744		11	
Total	12,859,385	796,749	72,531	6,901,520

CREDIT AND COUNTERPARTY RISK

(EUR 1,000)	31.12.2020			
Exposure group	**Total exposure**	**Guarantees**	**Financial guarantees**	**Other guarantees**
Exposures secured by mortgages on immovable property	6,860,045			6,860,045
Retail exposures	2,207,045	620,845	47,291	1,727
Exposures to corporates	1,291,152	83,727	7,897	
Exposures to institutions	200,095			
Exposures to central governments or central banks	1,428,029			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	381,296			
Exposures in default	78,702	2,247	1,113	376
Othe exposure groups in total	344,385		16	
Total	12,790,750	706,820	56,317	6,862,148

Doubtful exposures

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

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

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

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.

Impairment and expected credit losses are described in the accounting policies section of the financial statements and in the note 16 impairments.

Payment delays and non-performing loans (EUR 1,000)	31.12.2021	Share (%)	31.12.2020	Share (%)
Payment delays, over 30 days	129,319	1,3 %	127,019	1,4 %
of which: 30-89 days	54,994	0,6 %	58,682	0,6 %
of which: over 90	72,025	0,8 %	70,638	0,8 %
Forberance in total	194,360	2,0 %	208,874	2,2 %

Credit portfolio

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

BREAKDOWN OF LOANS BY CUSTOMER GROUPS

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

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

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

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

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

The table below shows the exposures of customer groups divided into the stages 1, 2 and 3 according to the IFRS 9 -standard.

	Stage 1		Stage 2		Stage 3		Total	
Customergroup (EUR 1,000)	**Exposure €**	**Collateral shortfall %**	**Exposure €**	**Collateral shortfall %**	**Exposure €**	**Collateral shortfall %**	**Exposure €**	**Collateral shortfall %**
Retail customers	6,160,061	6,10 %	534,915	2,90 %	87,035	19,30 %	6,782,012	6,00 %
Corporate customers	1,997,858	7,00 %	70,090	6,00 %	35,911	18,50 %	2,103,859	7,10 %
Other	691,589	24,50 %	44,159	16,10 %	27,834	42,90 %	763,583	24,70 %
Total	8,849,508	7,70 %	649,165	4,10 %	150,781	23,40 %	9,649,454	7,70 %

Retail portfolio

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

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

RETAIL EXPOSURES BY RATING DISTRIBUTION

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

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

Corporate portfolio

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

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

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

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

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

CORPORATE EXPOSURES BY RATING DISTRIBUTION

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

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

Concentration risks

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

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

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

The largest counterparties of the Savings Banks Amalgamation are various government papers and derivate counterparties due to maintain the liquidity reserves. The 20 largest exposures are together 1.3 (1.7) % of the total lending portfolio. The largest industries in the corporate portfolio are real estate and construction, which are 13.9 (12.4) % of the total loan portfolio.

CORPORATE EXPOSURES BY INDUSTRY

Industry	31.12.2021	31.12.2020
Basic industries, fisheries and mining	6,40 %	6,60 %
Industry	5,20 %	5,20 %
Energy, water and waste disposal	0,70 %	0,80 %
Construction	8,60 %	8,90 %
Trade	6,40 %	7,20 %
Hotels and restaurants	3,10 %	3,20 %
Transport	2,30 %	2,70 %
Financing	2,30 %	1,60 %
Property	54,90 %	53,50 %
Research, consulting and other business service	5,70 %	5,60 %
Other services	4,40 %	4,90 %
Total	100,00 %	100,00 %

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.

Market risk

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

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

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

Investment and liquidity portfolios

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

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

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

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

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

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

* Risk factor effect on income and own funds.

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

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

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

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

Market risk management

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

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

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 (current value risk) or on the net interest income (income risk). 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 adequacy 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.

The Savings Banks Amalgamation's interest rate risks are measured using both the net interest income and the change in the present value of the balance sheet of the Savings Banks Amalgamation. The net present value method measures the change of the net present value of the balance sheet resulting from a change in interest rates when each balance sheet item is valued as the present value of its cash flows. The income risk model predicts the future net interest income over one year with changing market interest rates.

The table below shows the next 12 month's net interest income's sensitivity to a 1-percentage point's parallel shift in the interest rate curve. A 0 % floor is applied to loan reference interest rates based on loan contract provisions. Also, retail deposits are assumed to have a 0 % interest rate floor. Balance sheet structure is kept static by rolling over maturing items with corresponding interest rates or corresponding maturities for fixed rate items. Demand deposits are assumed to have a modelled maturity structure.

NET INTEREST INCOME SENSITIVITY TO A 1 % -POINT PARALLEL SHIFT IN THE INTEREST RATE CURVE

(EUR 1,000)	Change in net interest income			
	31.12.2021		31.12.2020	
Period	**Down**	**Up**	**Down**	**Up**
Change in the coming 12 months	-290	21,312	506	14,924
Change in 12-24 months	2,608	57,968	5,226	29,148

Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its present or future expected or unexpected obligations as they come due or is unable to do so without incurring unacceptable losses.

The Savings Banks Amalgamation's business is retail banking, the key part of which is the financial risk due to maturity transformation. The business is based on deposits received by member savings banks, which are used to fund loans to customers.

On 31 December 2021 the Savings Banks Amalgamation held 1,438 (1,550) million euros (before haircuts) of LCR eligible liquid assets of which 71 (76) % were notes and coins and reserves held in the Bank of Finland, 14 (12) % were level 1 assets issued by governments and multinational organizations and 15 (12) % were other liquid assets. The Savings Banks Amalgamation's LCR was 161 (196) % on 31 December 2021.

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

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

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

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

Assets 2020 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	1,183,519	1,183,519			
Central bank eligible debt securities	448,424	6,227	7,233	277,607	157,357
Receivables from financial institutions	109,060	109,060			
Receivables from customers and public entities	9,284,077	138,815	942,196	2,823,388	5,379,678
Other debt securities	265,645	10,163	13,428	199,306	42,748
Equity and shares	432,369				432,369
Other assets	375,377	854	177,892	22,995	173,636
Assets total	12,098,470	1,448,638	1,140,749	3,323,296	6,185,788
Liabilities 2020 (EUR 1,000)	**Total**	**< 3 mon**	**3-12 mon**	**1-5 years**	**> 5 years**
Due to credit institutions and central banks	389,879	139,036	165,773	69,110	15,960
Amounts owed to customers and public entities	7,784,754	7,319,338	400,889	64,409	118
Debt securities in issue	2,626,631	319,477	641,453	955,124	710,577
Subordinated liabilities	29,136	3,390	13,343	12,403	
Other liabilities	151,172	150,693	210	269	
Liabilities total	10,981,572	7,931,934	1,221,668	1,101,315	726,654
Derivatives, net cash flows	83,791	7,147	14,199	51,919	10,528

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

Liquidity risk management

The Board of Directors of the Savings Banks Amalgamation's Central Institution has the overall responsibility for Savings Banks Amalgamation's liquidity strategy, setting risk appetite and management procedures related to the identification, measurement, mitigation, monitoring and control of liquidity risk. The Board of Directors of the Central Institution approves the liquidity risk strategy, the funding plan and the contingency funding plan.

The Central Bank of Savings Banks is responsible for the operational implementation of the Savings Banks Amalgamation level liquidity strategy, which includes drafting and maintaining the operational level guidelines. Treasury is also responsible for the operational maintenance and testing of the amalgamation-level liquidity recovery plan and is responsible for the adequacy and management of the amalgamation-level liquidity reserve. An agreement has been signed between the member Savings Banks and the Central Bank of Savings Banks that gives the Central Bank of Savings Banks the right to use all liquid assets in the Savings Banks Amalgamation to support the Savings Banks Amalgamation's liquidity.

Treasury monitors the structural financial risk of banking operations on a monthly basis. Risk is measured by the net stable funding ratio (NSFR), the lending/borrowing ratio and a 10-year horizon gap analysis to measure the suitability of the banking operations financing structure for the long-term financing of balance sheet assets.

The Savings Banks Amalgamation's Asset and Liability Committee prepares and plans the liquidity strategy for the Board of Directors of the Central Institution and monitors the strategy's implementation at the Savings Banks Amalgamation level.

The Risk Control unit of the Central Institution is responsible for the independent monitoring of the Savings Banks Amalgamation level limits and thresholds set in the liquidity strategy and their reporting to the Central Institution's management, Asset and Liability Committee, Risk Committee and the Board of Directors.

The main methods of measuring and monitoring liquidity risk at the amalgamation level are the cash position, the adequacy of the liquidity reserve as measured by stress tests, the liquidity coverage ratio and net stable funding ratio.

The Finnish Financial Supervisory Authority has granted the Central Institution permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions and net stable funding ratio (LCR and NSFR).

Real estate risk

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

Operational risk

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

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

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

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

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

Legal risks

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

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

Business risk

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

ASSET MANAGEMENT AND LIFE INSURANCE

Asset Management

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

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

Life insurance

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

PROFITABILITY OF LIFE INSURANCE

(EUR 1,000)	31.12.2021			31.12.2020	31.12.2019
	Risk premiums	Claims incurred	Claims ratio	Claims ratio	Claims ratio
Risk insurance	4,299	991	23 %	66 %	44 %
Savings and pension insurance	20,507	19,653	96 %	96 %	95 %
Total	24,807	20,644	83 %	93 %	89 %

Insurance risk

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

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

Interest rate risk

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

Expense risk

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

Sensitivity analysis of technical provisions

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

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

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

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

Risks of investment operations

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

DISTRIBUTION OF INVESTMENT ASSETS

(EUR 1,000)

Type of investment		31.12.2021	31.12.2020	31.12.2019
Bonds				
	Bonds			2,108
	Fixed-income funds	102,162	107,460	114,855
Shares, Developed markets				
	Shares	3,200	12,081	13,639
	Equity funds	36,591	25,753	18,803
Structured investments			936	2,124
Hedge funds		9,552	2,290	3,382
Real estate				
	Real estate			
	Real estate funds	11,514	10,445	14,838
Bank receivables in investments		4,366	4,328	5,582
Total		167,387	163,292	175,330

BOND AND FIXED INCOME FUND INVESTMENTS ACCORDING TO MODIFIED DURATION

(EUR 1,000)

Modified duration	31.12.2021	Share	31.12.2020	Share	31.12.2019	Share
0 - 1	24,849	24 %	23,383	22 %	16,899	14 %
1-3	18,047	18 %	19,078	18 %	27,780	24 %
3-5	21,117	21 %	27,036	25 %	25,394	22 %
5-7	13,388	13 %	14,251	13 %	16,198	14 %
7-10	11,683	11 %	10,782	10 %	10,763	9 %
10 -	13,079	13 %	12,919	12 %	19,928	17 %
Total	102,162	100 %	107,449	100 %	116,962	100 %

COUNTERPARTY RISK

Bonds and structured loans according to maturity and credit rating

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

CURRENCY RISK

Investments by currency (EUR 1,000)

Currency	31.12.2021	Share	31.12.2020	Share	31.12.2019	Share
EUR	148,974	89 %	147,911	91 %	162,059	92 %
USD	11,048	7 %	6,324	4 %	6,664	4 %
GBP	4,687	3 %	1,431	1 %	1,255	1 %
Others	2,678	2 %	7,627	5 %	5,353	3 %
Total	167,387	100 %	163,292	100 %	175,330	100 %

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

To protect parts of investment assets, it is also possible to use derivatives for hedging purposes, as necessary. The investment risk is monitored through sensitivity analyses and through the value-at-risk technique. Issuer manages the credit risk of investment operations and counterparty limits.

SENSITIVITY ANALYSIS

(EUR 1,000)	Change in own funds			
Risk factor	**Change**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Interest	+ 1 %-yks.	-1,021	-815	-1,960
	- 1 %-yks.	2,621	-1,797	-982
Share	-10 %	-4,079	-3,951	-3,581
Real estate	-10 %	-1,151	-1,045	-1,484
Currency	Others/Euro -10 %	-1,791	-1,538	-1,327
Structured loans	-10 %		-94	-212

PROFIT FOR THE PERIOD

NOTE 6: OPERATING SEGMENTS

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

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

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

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

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

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

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

Pricing between the segments is based on market prices.

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

2021 (EUR 1,000)
INCOME STATEMENT

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

RECONCILIATIONS:

	1-12/2021	1-12/2020
Revenue		
Total revenue for reportable segments	326,091	306,252
Non allocated revenue, other operations	1,475	336
Total revenue of the Group	327,566	306,588
Profit		
Total profit or loss for reportable segments	72,462	51,870
Non allocated amounts	300	223
Total profit of the Group	72,762	52,092

	31.12.2021	31.12.2020
Assets		
Total assets for reportable segments	13,096,242	13,348,552
Non allocated assets, other operations	-17,146	-251,489
Total assets of the Group	13,079,096	13,097,063
Liabilities		
Total liabilities for reportable segments	11,867,910	11,939,734
Non allocated liabilities, other operations	20,894	1,620
Total liabilities of the Group	11,888,804	11,941,354

2020 (EUR 1,000)
INCOME STATEMENT

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

NOTE 7: NET INTEREST INCOME

NET INTEREST INCOME

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

NOTE 8: NET FEE AND COMMISSION INCOME

NET FEE AND COMMISSION INCOME

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

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

Net fee and commission income	114,882	99,742

NOTE 9: NET INVESTMENT INCOME

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

NOTE 10: NET LIFE INSURANCE INCOME

NET LIFE INSURANCE INCOME

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

Premiums written from life insurance	1-12/2021	1-12/2020
Premiums written from insurance contracts		
Premiums written from risk insurance contracts		
Risk insurance	13,789	12,170
Total	13,789	12,170
Premiums written from insurance contracts with entitlement to discretionary portion of surplus		
Savings insurance	987	958
Voluntary pension insurance	340	350
Voluntary group pension insurance	37	41
Total	1,364	1,348
Premiums written from unit-linked insurance contracts		
Savings insurance	52,062	54,891
Voluntary pension insurance	4,109	4,171
Voluntary group pension insurance	1,229	1,357
Total	57,400	60,419
Total	72,552	73,938
Premiums written from investment contract		
Premiums written from unit-linked investment contracts	44,181	31,300
Total	44,181	31,300
Total premiums written	116,733	105,238

Term insurances include regular premium endowment policies, where the payments are charged from customers annually. Other insurances comprise flexible premium endowment policies. The policyholder can make payment plans or abnormal payments to those insurances. The policyholder may change their payments freely.

NET INVESTMENT INCOME

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

Benefits paid	**1-12/2021**	**1-12/2020**
Benefits paid from insurance contracts		
Benefits paid from risk insurance contracts	-1,052	-1,188
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-101	-195
Death benefits	-5,457	-6,397
Surrenders	-1,570	-2,780
Total	-7,128	-9,371
Personal pension insurance		
Annuities	-728	-803
Death benefits	-27	-16
Surrenders	-23	-47
Total	-779	-865
Group pension insurance		
Annuities	-191	-203
Surrenders		-2
Total	-191	-204

Benefits paid from unit-linked insurance contracts	**1-12/2021**	**1-12/2020**
Savings insurance		
Maturities	-774	-649
Death benefits	-11,645	-11,183
Surrenders	-23,051	-23,749
Total	-35,471	-35,581
Voluntary pension insurance		
Annuities	-1,856	-1,773
Death benefits	-187	-111
Surrenders	-736	-692
Total	-2,779	-2,577
Voluntary group pension insurance		
Annuities	-63	-108
Surrenders	-23	-3
Total	-87	-111
Total benefits paid from insurance contracts	-47,498	-49,898
Benefits paid from investment contracts		
Death benefits	-2,279	-8,662
Surrenders	-13,918	-19,073
Total	-16,197	-27,735
Total benefits paid from investment contract	-16,197	-27,735
Total direct insurance	-63,683	-77,633
Total benefits paid	-63,683	-77,633

Change in insurance contract liabilities

Change in liabilities for insurance policies 2021 (EUR 1,000)	**Provision 1 Jan 2021**	**Premiums**	**Claims, part of deposit**	**Claims, part of risk**	**Interest and changes in fair value**	**Other charges and credits**	**Other items**	**Provision 31 Dec 2021**
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	83,688	1,322	-8,158	17	1,123	-582	-3,403	74,006
Bonus reserves	9,440						-579	8,861
Reserve for decreased discount rate	3,723						-247	3,476
Reserve for increased operating costs	1,439						1,699	3,137
Risk insurance liability	957	13,755		-995	1	-13,766	1,187	1,138
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	526,079	36,232	-31,887	71	53,099	-3,693	3,419	583,321
Liabilities for unit-linked investment contracts	328,688	65,542	-22,730		39,073	-3,402		407,170
Total	954,013	116,850	-62,776	-907	93,296	-21,443	2,076	1,081,109

Change in insurance contract liabilities

Change in liabilities for insurance policies 2020 (EUR 1,000)	**Provision 1 Jan 2020**	**Premiums**	**Claims, part of deposit**	**Claims, part of risk**	**Interest and changes in fair value**	**Other charges and credits**	**Other items**	**Provision 31 Dec 2020**
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	91,887	1,348	-10,441	-34	1,205	-660	382	83,688
Bonus reserves	10,077						-637	9,440
Reserve for decreased discount rate	3,929						-207	3,723
Reserve for increased operating costs	2,670						-1,231	1,439
Risk insurance liability	1,141	12,170		-1,150	1	-12,151	946	957
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	534,454	28,268	-37,359	-4	38,521	-3,649	-34,152	526,079
Liabilities for unit-linked investment contracts	244,540	63,541	-28,645		18,128	-2,355	33,479	328,688
Total	888,699	105,328	-76,445	-1,188	57,855	-18,814	-1,420	954,013

NOTE 11: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

Financial assets and liabilities at amortized cost (EUR 1,000)	1-12/2021	1-12/2020
Interest income	149,176	147,483
Interest expense	-16,267	-20,259
Impairment	-4,276	-14,785
Financial assets and liabilities at amortized cost	128,633	112,439
Financial assets at fair value through other comprehensive income		
Interest income	10,198	10,906
Interest expense	-284	-487
Realised gains and losses	848	245
Dividend income	32	19
Reclassified from other comprehensive income	982	991
Impairment	2,979	-4,975
Financial assets at fair value through other comprehensive income	14,756	6,699
Financial assets at fair value through profit or loss		
Interest income	23,863	24,649
Interest expense	-648	-1,325
Realised gains and losses	1,430	89
Dividend income	2,638	3,685
Fair value change, net	11,035	16,772
Cash flow hedges - ineffective portion of changes in fair value	2	-83
Financial assets at fair value through profit or loss	38,321	43,786
Income from financial instruments		
Interest income	183,237	183,038
Net income from investment activities	16,968	21,717
Income from financial instruments, total	200,205	204,755
Expenses from financial instruments		
Interest expense	-17,199	-22,071
Imapairment	-1,297	-19,760
Expenses from financial instruments, total	-18,496	-41,831

NOTE 12: OTHER OPERATING REVENUE

OTHER OPERATING REVENUE

(EUR 1,000)	1-12/2021	1-12/2020
Rental and dividend income from owner-occupied property	115	-8
Capital gains from owner-occupied property	332	86
Other income from Banking	7,347	6,548
Other	3,118	1,348
Other operating revenue	10,912	7,974

NOTE 13: PERSONNEL EXPENSES

PERSONNEL EXPENSES

(EUR 1,000)	1-12/2021	1-12/2020
Wages and salaries	-82,119	-75,305
Pension expenses		
Defined contribution plans	-13,325	-11,443
Defined benefit plans	-352	-457
Other personnel related costs	-2,954	-2,304
Personnel expenses	-98,750	-89,510
Full-time	1,235	1,217
Part-time	82	76
Temporary	102	125
Total	1,419	1,418
Number of employees converted to FTEs*	1,299	1,333
Average number of FTEs during the financial year	1,338	1,334

*At the end of November, the number of employees in the Savings Bank Group decreased by 34 persons due to Eurajoen Säästöpankki leaving the Group.

NOTE 14: OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2021	1-12/2020
Other administrative expenses		
Other personnel expenses	-4,667	-4,784
Office expenses	-9,310	-8,958
ICT expenses	-54,048	-48,661
Telecommunications	-4,888	-5,149
Information costs	-1,126	
Representation expenses	-248	-195
Marketing	-6,687	-6,343
Other admin expenses	-324	-448
Payment card expenses	-9,304	-9,495
Total	-90,601	-84,032
Other operating expenses		
Rental expenses	-2,618	-2,527
Expenses arising from owner-occupied property	-5,318	-5,660
Other operating expenses	-20,590	-17,827
Total	-28,526	-26,014
Other operating expenses	-119,127	-110,046
***Audit fees**		
Statutory audit	-525	-544
Audit related services	-43	-74
Other services	-142	-374
Total	-711	-992

* The amount of other than audit services delivered by KPMG Oy Ab to the companies consolidated into the Savings Banks Group were EUR 157 (161) thousand during the financial period 2021

NOTE 15: DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(EUR 1,000)	1-12/2021	1-12/2020
Depreciation and amortisation of property, plant and equipment	-4,512	-5,329
Depreciation and amortisation of intangible assets	-9,869	-10,085
Total depreciation and amortisation	-14,381	-15,415
Impairment of property, plant and equipment	-733	-686
Impairment of intangible assets	-1,332	-2,293
Total impairment	-2,065	-2,978
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-16,445	-18,393

Right of use assets recognized under IFRS 16 Leases standard are presented in note 41.

NOTE 16: IMPAIRMENT LOSS ON FINANCIAL ASSETS

IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event being incurred within 12 months of the reporting date.
- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.
- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSETS

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

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

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

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

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

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

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

Effect of changes in the ECL model and implementation of new definition of default

Implementation of the new definiton of default

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

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

Change in the criteria of impairment stages 2 and 3

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

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

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

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

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

Re-modelling of the macromodel included in ECL calculation

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

Coronavirus pandemic (COVID-19)

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

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

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

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

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSET

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Odotettavissa olevat luottotappiot 1.1.2020	1,775	1,200	107	3,081
Transfers to stage 1				
Transfers to stage 2	-9	111		102
Transfers to stage 3	-7	-1,200	3,128	1,921
Investments during the period	872		124	997
Investments expired	-714		-107	-821
Change in credit risk	2,419			2,419
ECL net change				4,618
Expected Credit Losses 31 December 2020	4,336	111	3,253	7,699
Total Expected Credit Losses 31 December 2020				51,439
Total change in Expected Credit Losses 1 January 2020 -31 December 2020				10,310

NOTE 17: INCOME TAXES

(EUR 1,000)	1-12/2021	1-12/2020
Current tax	-16,984	-14,539
Tax for prior years	90	-151
Change in deferred tax assets	1,072	1,758
Change in deferred tax liabilities	-1,230	-1,665
Income taxes	-17,052	-14,597
Other direct taxes	-39	-51
Total income taxes	-17,091	-14,648

RECONCILIATION BETWEEN TAX EXPENSE IN THE INCOME STATEMENT AND TAX EXPENSE CALCULATED BY THE APPLICABLE TAX RATE

Reconciliation of effective tax rate		
Accounting profit before tax	89,854	66,740
Differences between accounting and taxable profit	-2,281	4,209
Taxable profit	87,573	70,950
Tax using the domestic corporation tax rate	-18,077	-13,348
Tax-exempt income	105	187
Non-deductible expenses	-178	-118
Unrecognised deductible expenses	1,198	602
Unrecognised taxable income	-707	-1,513
Use of approved tax losses for prior years	479	63
Recognition of previously unrecognised tax losses		-320
Tax for prior years	90	-151
Tax expense	-17,091	-14,597
Corporate income tax rate	20,%	20,%

More information on deferred taxes is presented in note 27.

ASSETS

NOTE 18: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

NOTE 19: CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2021	31.12.2020
Cash	11,266	13,491
Receivables from central banks repayable on demand	1,006,639	1,170,028
Cash and cash equivalents	1,017,904	1,183,519

NOTE 20: LOANS AND ADVANCES

LOANS AND ADVANCES

31.12.2021

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

LOANS AND ADVANCES

31.12.2020

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

NOTE 21: DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

Derivatives total	33,693	15,511

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

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

Hedged cash flows are expected to affect profit during the following periods:

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

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

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

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

Hedged cash flows are expected to affect profit during the following periods:

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

NOTE 22: INVESTMENTS ASSETS

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

BREAKDOWN BY ISSUER OF QUOTATION

31.12.2021

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

31.12.2020

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

NOTE 23: LIFE INSURANCE ASSETS

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

Breakdown of Life Insurance debt securities recognised at fair value through profit or loss, shares and participations as well as derivatives by issuer of quotation

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

NOTE 24: INVESTMENTS IN ASSOCIATES

INFORMATION ON THE MATERIAL ASSOCIATES OF THE GROUP:

Name	Domicile	Sector	Ownership (%)	Share of votes (%)	Ownership (%)	Share of votes (%)
			31.12.2021	31.12.2021	31.12.2020	31.12.2020
Figure Taloushallinto Oy	Espoo	Accounting and financial services	25,00	25,00	25,00	25,00

Figure Taloushallinto Oy's business sector is to provide services of financial management, payroll computation, risk management and accounting, including related training-, advisory and information services for fiancial sector organizations and their subsidiaries and center organizations. Figure Taloushallinto Oy is Savings Bank Group's associated company since 31 August 2018.

SUMMARISED FINANCIAL INFORMATION ABOUT MATERIAL ASSOCIATES BASED ON THE COMPANIES' OWN FINANCIAL STATEMENTS:

	Figure Taloushallinto Oy
(EUR 1,000)	**2021**
Total assets	1,897
Total liabilities	1,363
Total operating revenue	9,910
Profit or loss	76
Total comprehensive income	76
Reconciliation of the summarised financial information of the associate to the carrying amount in the Group's statement of financial position:	
Net assets of the associate	3,261
Adjustments	-134

Joint arrangements

The Savings Banks Group has no material joint arrangements. Mutual real estate companies and housing companies are treated in the Group's financial statements as joint operations. These companies include both investment properties and owner-occupied properties. Five mutual real estate companies are considered as material from the perspective of the Savings Banks Group, but their share of the Group's balance sheet is only limited.

INFORMATION ABOUT THE MATERIAL JOINT OPERATIONS OF THE SAVINGS BANKS GROUP IS PRESENTED BELOW:

Name	Name	Ownership	Ownership
		2021	2020
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90,80 %	90,80 %
Asunto Oy Salamankulma	Turku	37,01 %	37,01 %
Kiinteistö Oy Liedon Liikekeskus	Lieto	85,70 %	85,70 %
Kiinteistö Oy Lohjan Pankkitalo	Lohja	100,00 %	100,00 %
Kiinteistö Oy Iisalmen Pohjolankatu 6	Iisalmi	100,00 %	100,00 %

NOTE 25: PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31.12.2021	31.12.2020
Owner-occupied property		
Land and water	501	920
Buildings	32,190	34,503
Machinery and equipment	3,033	3,806
Other tangible assets	919	816
Advance payments and construction in progress	324	428
Property, plant and equipment	36,966	40,473

31.12.2021

Changes in property, plant and equipment	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	93,135	40,673	1,859	428	136,095
Increases	262	908	156	541	1,868
Decreases	-453	-2,459	-26		-2,938
Transfers between items	-607	1		-645	-1,251
Acquisition cost 31 December	92,337	39,123	1,989	324	133,774
Accumulated depreciation and impairments 1 January	-57,712	-36,867	-1,043		-95,622
Depreciation for the financial year	-1,513	777	-27		-763
Impairments for the financial year	-422				-422
Accumulated depreciation and impairments 31 December	-59,647	-36,090	-1,070		-96,807
Carrying amount 31 December	32,690	3,033	919	324	36,966

Right of use assets recognized under IFRS 16 Leases standard are presented in note 42.

31.12.2020

Changes in property, plant and equipment	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	91,854	40,232	1,864	1,478	135,427
Increases	1,364	1,219	49	204	2,836
Decreases	-538	-841	-54	-25	-1,458
Transfers between items	305	64		-1,229	-860
Revaluation	151				151
Acquisition cost 31 December	93,135	40,673	1,859	428	136,095
Accumulated depreciation and impairments 1 January	-52,282	-35,748	-1,017		-89,046
Depreciation for the financial year	-3,913	-1,120	-27		-5,059
Decreases	-1,518				-1,518
Accumulated depreciation and impairments 31 December	-57,712	-36,867	-1,043		-95,622
Carrying amount 31 December	35,423	3,806	816	428	40,473

NOTE 26: INTANGIBLE ASSETS

(EUR 1,000)	31.12.2021	31.12.2020
Intangible rights	15,470	23,798
Other intangible assets	44	44
Intangible assets under development	19,080	14,867
Goodwill	729	
Intangible assets	35,323	38,709

Intagible rights and intangible assets under development formed a significant part of information systems acquired from external operators.

31.12.2021

(EUR 1,000) Changes in intangible assets	Goodwill	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January		84,110	453	14,867	99,429
Increases	729	359		7,636	8,724
Decreases		-987			-987
Transfers between items		2,986		-3,423	-436
Acquisition cost 31 December	729	86,468	453	19,080	106,730
Accumulated depreciation and impairments 1 January		-60,312	-409		-60,721
Depreciation for the financial year		-9,688			-9,688
Decreases		-998			-998
Accumulated depreciation and impairments 31 December		-70,998	-409		-71,407
Carrying amount 31 December	729	15,470	44	19,080	35,323

During the financial year, a total of EUR 1.3 millon in imparment losses was recognised on intangible assets not yet available for use based on the management's estimate of the future recovable amount of the asset not yet available for use.

Testing goodwill for impairment

The goodwill of EUR 729 thousand is allocated in full to the real estate management business acquired in the financial year 2021. Goodwill has been tested for impairment by comparing the carrying amount with the cash flows from the business in question, based on cash flow statements prepared on the basis of long-term plans approved by the management of the business. The forecast period used in the cash flow statements is 11 years and is based on the management's view of the period required until the cash flows from the launched business stabilise at the expected level. The discount rate for cash flows has been set at the 8% yield requirement and the long-term average growth rate has been set at 2%. On the basis of impairment testing, the present value of the cash flows generated by the goodwill exceeds the carrying amount on the balance sheet date, and there is no need to allocate an impairment charge to goodwill.

31.12.2020

(EUR 1,000) Changes in intangible assets	Goodwill	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January		68 439	470	19 038	87 947
Increases		6 759		11 638	18 397
Decreases		-2 634	-17	-645	-3 295
Transfers between items		11 546		-15 164	-3 619
Acquisition cost 31 December		84 110	453	14 867	99 429
Accumulated depreciation and impairments 1 January		-50 076	-409		-50 485
Depreciation for the financial year		-10 235			-10 235
Accumulated depreciation and impairments 31 December		-60 312	-409		-60 721
Carrying amount 31 December		23 798	44	14 867	38 709

NOTE 27: DEFERRED TAXES

(EUR 1,000)	31.12.2021	31.12.2020
Deferred tax assets	7,784	9,694
Income tax receivables	2,772	1,098
Tax assets	10,556	10,792
Deferred tax liabilities	63,813	66,156
Income tax liability	1,948	7,777
Tax liability	65,760	73,933

(EUR 1,000)	31.12.2021	31.12.2020
Deferred tax assets		
Impairments	701	512
Financial assets	3,241	3,571
Cash flow hedged	9	
Property, plant and equipment	5,384	4,250
Defined benefit pension plans	611	583
Approved tax losses	572	711
Other	156	110
Netting of deferred taxes	-2,891	-43
Total	7,784	9,694

(EUR 1,000)	31.12.2021	31.12.2020
Deferred tax liabilities		
Appropriations	55,191	53,259
Impairments	921	1,492
Financial assets	8,254	9,040
Cash flow hedges	235	450
Property, plant and equipment	2,102	1,958
Netting of deferred taxes	-2,891	-43
Total	63,813	66,156

2021 (EUR 1,000)	1.1.2021	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2021
Deferred tax assets								
Impairment	512	190						701
Financial assets	3,571	-250	-80					3,241
Cash flow hedges				9				9
Property, plant and equipment	4,250	1,134						5,384
Defined benefit pension plans	583				28			611
Approved tax losses	711	-139						572
Other	110	137					-92	156
Netting of deffered taxes	-43						-2,847	-2,891
Total	9,694	1,072	-80	9	28		-2,939	7,784

(EUR 1,000)	1.1.2021	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2021
Deferred tax liabilities								
Appropriations	53,259	1,932						55,191
Impairments	1,492		-571					921
Financial assets	9,040	-746	-40					8,254
Cash flow hedges	450			-215				235
Property, plant and equipment	1,958	144						2,102
Other	-43						-2,847	-2,891
Total	66,156	1,330	-612	-215			-2,847	63,813

2020 (EUR 1,000)	1.1.2020	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2020
Deferred tax assets								
Impairment	392	120						512
Financial assets	2,735		836					3,571
Property, plant and equipment	1,463	2,787						4,250
Defined benefit pension plans	503				80			583
Approved tax losses	798	-87						711
Other	1,307	-1,062	153				-288	110
Netting of deffered taxes	-4,713						4,670	-43
Total	2,485	1,758	989		80		4,382	9,694

(EUR 1,000)	1.1.2020	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2020
Deferred tax liabilities								
Appropriations	52,109	1,150						53,259
Impairments	492	3	996					1,492
Financial assets	7,251	-609	2,398					9,040
Cash flow hedges	563			-113				450
Intangible assets	71	-71						
Property, plant and equipment	767	1,191						1,958
Other								
Total	-4,713						4,670	-43
Yhteensä	56,540	1,665	3,395	-113			4,670	66,156

NOTE 28: OTHER ASSETS

(EUR 1,000)	31.12.2021	31.12.2020
Payment transfer receivables	294	217
Accrued income and prepaid expenses		
Interest	27,199	27,892
Other accrued income and prepaid expenses	12,517	7,140
Other	28,109	125,422
Other assets	68,120	160,670

LIABILITIES AND EQUITY

NOTE 29: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	31.12.2021	31.12.2020
Other financial liabilities at fair value through profit or loss*	13,706	
Financial liabilities at fair value through profit or loss	13,706	

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in note 42 Entities consolidated in Savings Banks Group's financial statements.

NOTE 30: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

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

NOTE 31: DEBT SECURITIES ISSUED

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

COVERED BONDS ISSUED

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

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

NOTE 32: LIFE INSURANCE LIABILITIES

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

LIABILITIES FOR INSURANCE POLICIES

(EUR 1,000)	Liability 2021	Number of contracts 2021	Duration 2021
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3,5 %	3,139	35	10,4
Rate of guaranteed interest 2,5 %	12,503	296	9,7
Rate of guaranteed interest 0,0 %	57,662	1,350	7,8
Individual pension insurance			
Rate of guaranteed interest 3,5 %	2,211	127	5,6
Rate of guaranteed interest 2,5 %	5,622	502	9,6
Rate of guaranteed interest 0,0 %	6,788	403	15,6
Group pension insurance (defined contribution, rate of guaranteed interest 0,0 %)	1,556	95	3,9
Term insurance	1,138	41,831	2,5
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	449,292	14,716	10,9
Individual pension insurance	126,411	9,874	15,5
Group pension insurance	7,617	305	11,6
Unit-linked investment contracts	407,170	3,486	13
Total	1,081,109	73,020	

LIABILITIES FOR INSURANCE POLICIES

(EUR 1,000)	Liability 2020	Number of contracts 2020	Duration 2020
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3,5 %	3,072	36	10,6
Rate of guaranteed interest 2,5 %	13,649	344	9,6
Rate of guaranteed interest 0,0 %	66,583	1,801	7,1
Individual pension insurance			
Rate of guaranteed interest 3,5 %	1,782	107	6,1
Rate of guaranteed interest 2,5 %	6,329	620	10
Rate of guaranteed interest 0,0 %	5,154	455	13,8
Group pension insurance (defined contribution, rate of guaranteed interest 0,0 %)	1,720	102	3,9
Term insurance	957	36,426	3
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	411,112	13,582	11,3
Individual pension insurance	109,196	10,263	18,7
Group pension insurance	5,771	128	32,4
Unit-linked investment contracts	328,688	4,628	12
Total	954,013	68,492	

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

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

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

NOTE 33: SUBORDINATED LIABILITIES

(EUR 1,000)	Average interest rate %	31.12.2021
Subordinated loans	4,00 %	84
Other		
Debentures	2,00 %	13,343
Subordinated liabilities		13,427

(EUR 1,000)	Average interest rate %	31.12.2020
Subordinated loans	4,00 %	84
Other		
Debentures	2,00 %	29,136
Subordinated liabilities		29,220

NOTE 34: PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2021	31.12.2020
Other liabilities		
Payment transfer liabilities	21,675	19,915
Other liabilities	19,645	15,957
Total other liabilities	41,320	35,872
Accrued expenses		
Interest payable	6,965	7,533
Interest advances received	889	1,219
Other accrued expenses	26,318	24,638
Total accured expenses	34,171	33,391
Provisions		
Pension provisions	3,204	2,941
Other provisions	1,329	1,430
Total provisions	4,533	4,371
Provisions and other liabilities	80,024	73,633

Changes in provisions (EUR 1,000)	2021	2020
1 January	3,039	2,501
Decrease in other provisions		289
Increase in defined benefit plans		249
31 December	3,039	3,039

NOTE 35: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2021	31.12.2020
Basic capital	25,235	25,236
Reserves		
Primary capital	32,452	32,452
Reserve for invested non-restricted equity	126,896	127,672
Reserve fund	47,022	48,586
Fair value reserve	17,169	17,862
Reserve for hedging instruments	941	1,801
Other reserves	74,323	74,136
Retained earnings		
Profit (loss) for previous financial years	792,090	775,246
Profit (loss) for the financial year	72,781	51,280
Total equity attributable to equity holders of the Group	1,188,908	1,154,271
Non-controlling interests	1,384	1,438
Total equity	1,190,293	1,155,709

Eurajoen Säästöpankki left the Savings Banks Group on 1 December 2021. Further information in Appendix 1 Description of the Savings Banks Group and the scope of the financial statements and Savings Banks Group's statement of changes in equity.

Basic capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

The basic capital of the Savings Banks Group consists of the Savings Banks' basic capital, which is not paid back according to the Savings Bank Act § 11.

In addition, the Savings Banks Group includes four Savings Banks in the form of a limited liability company, whose share capital is included in the basic capital in equity.

Primary capital

Primary capital includes the primary capital subject to the Savings Bank Act § 13.

Share premium

Share premium comprises restricted capital. E.g. capital gains on disposal of treasury shares are recognised in the share premium account.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes the portion of subscription price which is not recognised in share capital and, according to the Accounting Act, is not recognised in liabilities, as well as other equity investments which are not recognised in other reserves. Furthermore, the reserve includes the amount by which share capital is reduced and which is not used to cover confirmed loss nor is distributed to shareholders.

Reserve fund

Reserve fund comprises restricted capital. This item includes the amounts recognised in the reserve fund subject to the Savings Bank Act (1502/2001) § 10.

Reserve mandated by the Group's Articles of Associationincludes items which are to be presented in the reserve mandated by the Group's Articles of Association or other rules.

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Reserve for hedging instruments

Reserve for hedging instruments includes items arising from cash flow hedging. Such item is considered to be the portion of change in the fair value of a hedging instrument (derivative contract) which is found an effective hedge.

Other reserves

Other reserves include non-restricted reserves which are formed of prior period results based on the Articles of Association or rules or the decision of the General Meeting, which exercises general power of decision in the Savings Banks Group.

Retained earnings

This item includes the profit for the period as indicated by the income statement, as well as profit for prior periods to the extent that it has not been transferred to other equity items or distributed to shareholders.

Specification of changes in fair value reserve (EUR 1,000)	2021
Fair value reserve 1 January	17,862
Profit/loss from fair value measurements, shares and participations	1,506
Profit/loss from fair value measurements, securities	-2,755
Deferred tax from fair value measurements	-426
Reclassified to income statement	982
Fair value reserve 31 December	17,169

Specification of changes in the reserve for hedging instruments	2021
Reserve for hedging instruments 1 January	1,801
Profit/loss from fair value measurements, derivatives hedging cash flow	-1,077
Deferred tax from cash flow hedging	215
Reclassified to income statement	2
Reserve for hedging instruments 31 December	941

Specification of changes in fair value reserve	2020
Fair value reserve 1 January	14,133
Profit/loss from fair value measurements, shares and participations	3,549
Profit/loss from fair value measurements, securities	3,891
Deferred tax from fair value measurements	-2,711
Non-controlling interest's share of the changes in fair value reserve	148
Reclassified to income statement	-1,148
Fair value reserve 31 December	17,862

Specification of changes in the reserve for hedging instruments	2020
Reserve for hedging instruments 1 January	2,252
Profit/loss from fair value measurements, derivatives hedging cash flow	-481
Deferred tax from cash flow hedging	113
Reclassified to income statement	-83
Reserve for hedging instruments 31 December	1,801

OTHER NOTES

NOTE 36: COLLATERALS

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

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

NOTE 37: OFF-BALANCE SHEET COMMITMENTS

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

NOTE 38: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

NOTE 39: FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE MEASUREMENT

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

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

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

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

FAIR VALUE HIERARCHY

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

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

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

TRANSFERS BETWEEN LEVELS

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

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

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

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

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3

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

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

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

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

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

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

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

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

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

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

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

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

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

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

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

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

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

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

NOTE 40: PENSION LIABILITIES

In addition to statutory pension scheme, the Savings Banks Group have set defined benefit pension plans for management, certain employees in leading positions as well as for those who used to be covered by the Savings Banks' pension fund.

Retirement age is 60-65 years. The target pension is 60% of pensionable salary. Pension benefit plans are under the statuotory taxation and other laws.

The amount of assets in the insurance arrangement reflects the part of the obligation which is on the insurance company's responsibility, and it is calculated with the same discount rate as the liability. The assets in the arrengement include 100 % qualifying insurances. As the obligations are insured, there are no signifigant liabilities on Group's responsibility. The Group is mainly responsible for increases in pensions tied to TyEL-index and for the effect of discount rate change and salary increase rate.

The defined benefit plan assets which are managed by insurance companies are part of their investment capital, and the related investment risk is on the insurance company.

(EUR 1,000)	31.12.2021	31.12.2020
Present value of obligation	14,578	15,065
Fair value of plan assets	11,374	12,124
Liability in balance sheet 31 December	3,204	2,941
Actuarial assumptions		
Discount rate, %	1,00 %	0,50 %
Pay development, %	2,60 %	1,60 %
Pension increase, %	0,00-2,40%	0,00-1,40%

	2021	2020
Current service cost	495	441
Previous service cost	-156	
Net interest	13	16
	352	457
Items in other comprehensive income		
Costs recognised in income statement	352	457
Remeasurements	953	724
Comprehensive income before tax	1,305	1,181
Present value of obligation 1 January	15,065	14,496
Current service cost	495	441
Previous service cost		
Interest expense	74	100
Actuarial gains (-) / losses (+) arising from experiential adjustments	-1	
Actuarial gains (-) / losses (+) arising from changes in economic expectations	223	325
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	382	642
Benefits paid	-511	-939
Effect of plan curtailment	-1,148	
Present value of obligation 31 December	14,578	15,065

Fair value of plan assets 1 January	12,124	11,886
Interest expense	61	84
Return on plan assets excl. items in interest expense/income	-349	243
Benefits paid	-511	-939
Contributions	1,042	850
Effect of plan curtailment	-992	
Fair value of plan assets 31 December	11,374	12,124
Present value of obligation	14,578	15,065
Fair value of plan assets	11,374	12,124
Liability in balance sheet 31 December	3,204	2,941
Liability in balance sheet 1 January	2,941	2,611
Costs in income statement	352	457
Contributions	-1,042	-850
Remeasurements in comprehensive income statement	953	724
Liability in balance sheet 31 December	3,204	2,941

SENSITIVITY ANALYSIS – NET LIABILITY

Effect of changed in assumptions on net liability in euros and % can be seen in the table below

(EUR 1,000)	2021	2020
Change in discount rate +0,50%	-351	-329
Change in discount rate -0,50%	401	375
Change in pay development +0,50%	174	213
Change in pay development -0,50%	-168	-210
Change in pensions + 0,5 %	574	629
Change in pensions - 0,5 %	-522	-576

Duration based on the weighted average is 17 (16) years.

The Savings Banks Group expects to contribute approximately EUR 637 (593) thousand to defined benefit plans in 2022.

NOTE 41: LEASES

Savings Banks Group as lessee

The Savings Bank Group acts as a lessee of e.g. office spaces, printers and laptop computers. Savings Banks Group's leases can be categorised by the following underlying assets: machinery and equipment, real estate and apartments, information systems and others. Savings Banks Group's leases do not contain any significant residual value quarantees or extension options.

Right-of-use assets (EUR 1,000)	2021	2020
Property, plant and equipment		
Machinery and equipment	152	277
Real estate	43	22
Apartments	9,124	10,444
Total	9,319	10,742

Changes in right-of-use assets (EUR 1,000)	2021	2020
Carrying amount 1 January	10,742	11,638
Depreciations and impaiments	-1,895	-2,208
Increases	1,902	2,055
Decreases	-1,429	-743
Carrying amount 31 December	9,319	10,742

Maturity analyses of lease liabilities (EUR 1,000)	2021	2020
Less than one year	2,631	2,659
Between one and five years	6,302	6,388
More than five years	385	1,814
Total	9,319	10,860

Income statement items (EUR 1,000)	2021	2020
Interest expenses	-41	-44
Depreciations	-1,895	-2,208
Expense relating to short-term leases	-4,670	-2,322
Expense relating to leases of low-value assets	226	-193
Total	-6,380	-4,767

Savings Banks Group as lessor

The Savings Banks Group acts as a lessor of e.g. apartments owned by the banks.

(EUR 1,000)	2021	2020
Future minimum lease payments under non-cancellable operating leases receivable		
Less than one year	2,068	2,043
Between one and five years	2,575	2,599
More than five years	534	282
Total	5,177	4,924

NOTE 42: ENTITIES CONSOLIDATED IN SAVINGS BANKS GROUP'S FINANCIAL STATEMENTS

GROUP STRUCTURE

Company	Domicile
Technical parent company:	
Säästöpankki Sinetti	Orivesi
Aito Säästöpankki Oy	Tampere
Säästöpankki Kalanti-Pyhäranta	Uusikaupunki
Avain Säästöpankki	Kortesjärvi
Lammin Säästöpankki	Hyvinkää
Liedon Säästöpankki	Lieto
Länsi-Uudenmaan Säästöpankki	Lohja
Mietoisten Säästöpankki	Mietoinen
Myrskylän Säästöpankki	Myrskylä
Säästöpankki Optia	Iisalmi
Helmi Säästöpankki Oy	Lahti
Someron Säästöpankki	Somero
Ylihärmän Säästöpankki	Ylihärmä
Ekenäs Sparbank	Tammisaari
Nooa Säästöpankki	Helsinki
Kvevlax Sparbank	Koivulahti
Närpiön Säästöpankki Oy	Närpiö

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

	Domicile	Ownership 31.12.2021	Ownership 31.12.2020
Subsidiaries:			
Nooa Säästöpankki Oy	Helsinki	100,00 %	100,00 %
Säästöpankkien Keskuspankki Suomi Oyj	Helsinki	100,00 %	100,00 %
Sp-Rahastoyhtiö Oy	Helsinki	100,00 %	100,00 %
Säästöpankkiliitto osk	Helsinki	100,00 %	100,00 %
Säästöpankkipalvelut Oy	Helsinki	100,00 %	100,00 %
Sp-Henkivakuutus Oy	Helsinki	100,00 %	100,00 %
Sp-Koti Oy	Helsinki	100,00 %	100,00 %
Säästöpankkien Holding Oy	Helsinki	100,00 %	100,00 %
Sp-Kiinnitysluottopankki Oyj	Helsinki	100,00 %	100,00 %
Sp-Isännöintipalvelut Oy	Somero	100,00 %	-
Consolidated mutual funds:			
Säästöpankki Kiinteistö	Helsinki	81,92 %	0,00 %
Most significant real estate companies:			
Fast Ab Bankborg	Koivulahti	100 %	100 %
Fast Ab Kvevlax Affärshus	Koivulahti	65,90 %	65,90 %
Kiinteistö Oy Säästö-Erkko	Orimattila	62,82 %	62,82 %
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	56,00 %	56,00 %
Kiinteistö Oy Eräjärven Pankkitalo	Eräjärvi	100 %	100 %
Kiinteistö Oy Oriveden Läsimäki	Orivesi	94,22 %	94,22 %
Kiinteistö Oy Kaustisen Säästökeskus	Pietarsaari	76,33 %	76,33 %
Kiinteistö Oy Kälviän Säästöpuisto	Kokkola	100 %	100 %
Kiinteistö Oy Kalajoenrinne	Kalajoki	59,37 %	59,37 %

Significant restrictions

There are no significant restrictions on the ownership and use of assets.

Consolidated structured entities

The Group is involved in entities which have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities are structured entities. When assessing the need to consolidate structured entities in the Group's financial statements, consideration is given to the nature of the relationship between the Group and the entity as well as to the Group's power over the entity in accordance with the principle of control as defined by IFRS 10.

The structured entities within the Group's sphere of influence are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. As Sp-Fund Management Company acts as the manager of the mutual funds, the Group is considered to have power over the mutual funds whereby it is able to affect the amount of returns received. The Group has determined the scope of consolidation to include the mutual funds where the ownership of the Savings Banks Group exceeds 40% as a longer-term investment. The Savings Banks Group must have owned more than 40% of the fund for more than half a year before the fund is consolidated. One mutual fund is consolidated in the Group's financial statements on 31 December 2021 (none at the end of 2020).

The table below presents as assets the value of the mutual funds which the Group controls as defined above and which are consolidated in the Group's financial statements. Liabilities include other owners' share in the value of these funds. Liabilities do not represent claims against the Group's assets. The assets of the mutual funds can only be used to settle their own liabilities.

	31.12.2021		31.12.2020	
(EUR 1,000)	**Total assets**	**Total liabilities**	**Total assets**	**Total liabilities**
Total mutual funds	75,796	13,704		

The holdings in mutual funds consolidated in the financial statements of the Savings Banks Group are classified at fair value through profit or loss. Other owners' interests in the assets and liabilities are measured at fair value through profit or loss.

Associates and joint ventures

Information about the Savings Banks Group's investments in associates and joint ventures is presented in Note 24 "Investments in associates".

NOTE 43: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below presents financial information about the structured entities which are not consolidated in the Group's financial statements, as well as the Group's investment in these entities and the maximum exposure to loss. These entities are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. Sp Fund Management Company manages 32 mutual funds. The Group has invested in 6 (10) mutual funds of Sp Fund Management Company and one of them is included to consolidation per 31.12.2021. The liabilities presented below represent the liabilities to both entities within the Group and other owners.

			31.12.2021	
(EUR 1,000)	**Total assets**	**Total liabilities**	**Group investment**	**Maximum exposure to loss**
Total mutual funds	75,796	75,796	14,017	14,017

			31.12.2020	
(EUR 1,000)	**Total assets**	**Total liabilities**	**Group investment**	**Maximum exposure to loss**
Total mutual funds	54,962	54,962	3,595	3,595

"All holdings in mutual funds are classified as at fair value through profit or loss. The unrealized fair value changes of the unconsolidated mutual funds managed by Sp-Fund Management Company, amounting to EUR 2 692 (1 134) thousand, are included in the profit or loss of the Group. During the financial year, a total of EUR 359 (628) thousand of realized gains and losses were recorded in the investment income of the Group.

The Group's maximum exposure to loss for each structured entity is restricted to the investment made by the Group.

NOTE 44: RELATED PARTIES

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

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

2021

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

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

KEY MANAGEMENT PERSONNEL COMPENSATION

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

2020

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

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

NOTE 45: MATERIAL EVENTS AFTER THE CLOSING DATE

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

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

SIGNATURES OF THE CONSOLIDATED FINANCIAL STATEMENT OF SAVINGS BANKS' GROUP

SIGNATURES OF THE CONSOLIDATED FINANCIAL STATEMENT OF SAVINGS BANKS' GROUP

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the Savings Banks' Group specified in the Act on the amalgamation of deposit banks the for the financial year ending 31 December 2021. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop on 10 March 2022.

In Helsinki 14 February 2022

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

Pirkko Ahonen
Chairman of the Board

Jari Oivo
Vice chairman of the Board

Tuula Heikkinen
Member of the Board

Eero Laesterä
Member of the Board

Jaakko Ossa
Member of the Board

Heikki Paasonen
Member of the Board

Katarina Segerståhl
Member of the Board

Ulf Sjöblom
Member of the Board

Hannu Syvänen
Member of the Board

Tomi Närhinen
Managing Director

Auditor's endorsement

Our auditor's report has been issued today.

Helsinki, 14 February 2022.

KPMG Oy Ab

Mikko Kylliäinen
Authorised Public Accountant

AUDITOR'S REPORT

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the members of Savings Banks' Union Coop

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of amalgamation Savings Banks Group pursuant to the Act on the Amalgamation of Deposit Banks for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of Savings Banks Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our opinion is consistent with the additional report submitted to the Audit Committee of Savings Banks' Union Coop.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of member institutions within Savings Banks Group in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the Savings Banks Group are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 14 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Receivables from customers (notes 2, 3, 5 and 16 to the financial statements)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
— Receivables from customers, totaling EUR 9.6 billion, are the most significant item in the Savings Banks Group's consolidated balance sheet representing 73 percent of the total assets. — Calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the valuation models used by the company. The calculation of expected credit losses involves assumptions, estimates and management judgements for example in respect to the probability of the expected credit losses, the realizable value of the collateral as well as determining significant increases in credit risk. — Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. — Due to the significance of the carrying amount involved, complexity of the accounting methods and management judgement involved, receivables from customers are addressed as a key audit matter.	— We assessed principles and controls over recognition and monitoring of loan receivables. Our audit procedures included testing of controls regarding determination and recording of expected credit losses on loans. — We assessed the models and key assumptions for calculating expected credit losses as well as tested the controls related to calculation process and credit risk models for the expected credit losses. KPMG IFRS- and financial instruments -specialists have been involved in the audit. — We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of receivables and determination of expected credit losses in accordance with IFRS 9. — Furthermore, we considered the appropriateness of the notes provided by Savings Banks Group in respect of receivables and expected credit losses.

Financial assets and derivative contracts
(notes 2, 3, 18, 21, 22 and 39 to the financial statements)

- The carrying value of financial assets totals EUR 974 million comprising of investments mainly measured at fair value. Assets from life insurance include other investments totaling EUR 166 million. The Derivative assets are EUR 34 million and debts are EUR 16 million comprising contracts held for hedging purposes. Derivatives are measured at fair value in preparing financial statements.
- Fair value of a financial instrument is determined using either prices quoted in an active market or Savings Banks Group's own valuation techniques where no active market exists. Determining fair values involves management judgements, especially in respect of those instruments for which market-based data is not available.

- We assessed the appropriateness of the measurement principles applied by Savings Banks Group and the compliance with the applicable financial reporting standards.
- Our audit procedures included testing of controls around the valuation process of financial assets measured at fair value, among others.
- As part of our year-end audit procedures we considered the accuracy of the fair values determined for financial assets measured at fair value.
- We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of financial assets.
- Furthermore, we considered the appropriateness of the notes on investment assets.

Life insurance liability
(notes 2, 3, 5 and 32 to the financial statements)

- The life insurance liability, totaling EUR 1,1 billion, is a significant item in the Savings Banks Group's consolidated balance sheet. Determination of life insurance liability involves various calculation techniques and actuarial assumptions. The most significant assumptions relate to calculation techniques, mortality rate and development of interest rates.

- Our audit procedures included the assessment of controls around the calculation process of life insurance liability.
- Our actuary specialist evaluated the appropriateness of the assumptions and methods used in determining life insurance liability by inspecting the technical bases applied and assessing the appropriateness of the calculation models to ensure the adequacy of liabilities for insurance policies, among others.
- Furthermore, we considered the appropriateness of the notes on life insurance liabilities.

IT systems and related control environment

- The key processes of the institutions within Savings Banks Group are dependent on technology. Therefore, IT plays essential role for business continuity, incident management and the accuracy of financial reporting.
- The most significant risks relate to integrity of data, confidentiality and disruption of services.
- The IT control environment related to the financial reporting process has a significant impact on the selected audit approach.

- We obtained an understanding of the IT systems related to financial reporting and the associated control environment, and tested the effectiveness of the related internal controls with the help of assurance reports received from external service providers, among others.
- Our audit procedures included extensive substantive procedures and data analyses.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and that financial statements comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Savings Banks Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Savings Banks Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Savings Banks Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Savings Banks Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Savings Banks Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Savings Banks Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.
- We also acquaint ourselves with the financial statement policies adopted by Savings Banks Group's member institutions, as well as the auditors' reports submitted for the audit of Savings Banks Group's consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting of Savings Banks' Union Coop on 13.3.2014, and our appointment represents a total period of uninterrupted engagement of 8 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 14 February 2022

KPMG OY AB

MIKKO KYLLIÄINEN
Authorised Public Accountant, APA

Savings Bank

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