Savings Banks Amalgamation's

PILLAR 3 DISCLOSURE REPORT

31.12.2022

Savings Bank

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SAVINGS BANKS AMALGAMATION'S PILLAR 3 DISCLOSURE REPORT

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INTRODUCTION

The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 15 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank, Sp-Fund Management Company Ltd Plc as well the companies within the consolidation groups of the above-mentioned entities ow which Savings Bank Services Ltd is 100% owned by Säästöpankkiliitto osk. The structure of the Group differs from that of the Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy.

Lieto Savings Bank has decided to withdraw from the Savings Banks Group and the Savings Banks Amalgamation in February 2023. The IFRS 5 Non-current Assets Held for Sale and Discontinued Operations standard is applied to Lieto Savings Bank's withdrawal from the Savings Banks Group. Unless mentioned separately in the text next to the disclosed table Lieto Savings Bank is included to the disclosed information, because Lieto Savings Bank is part of the Amalgamation and therefore part of the Pillar III disclosure of the Amalgamation at the year-end 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The key tools in monitoring liquidity risk at the Amalgamation level are cash position, liquidity reserve and LCR. At the end of 2022, the Amalgamation held 1,586 (1,438) million euros (before haircuts) of LCR eligible liquid assets. The Amalgamation's LCR was 144% (161%) at the end of 2022. Net stable funding ratio (NSFR) was 126 (127)%, well above the regulatory requirement (100%). Available stable funding was approximately EUR 10,745.1 million and required stable funding was EUR 8,558.3 million. 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.

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

At the end of 2022, the CET1 capital ratio of the Savings Banks Amalgamation was 18.7% (19,5%) and the capital ratio was 18.7% (19.5%). The capital structure of the Savings Banks Amalgamation is strong, and it significantly exceeded the regulatory capital requirement, which was 12.03% (11.76%) of the total amount of risk-weighted exposures at the end of 2022. The Board of Directors of the Central institution has set a target level of CET1 capital. For the coming strategic period, the long-term target level of CET1 capital is 18%.

TABLE EU KM1 – KEY METRICS TABLE

(EUR 1,000)		31.12.2022	30.6.2022	31.12.2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,090,504	1,077,518	1,096,604
2	Tier 1 capital	1,090,504	1,077,518	1,096,604
3	Total capital	1,090,533	1,078,125	1,098,277
	Risk-weighted exposure amounts			
4	Total risk exposure amount	5,837,252	5,769,272	5,626,667
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	18,68%	18,68%	19,49%
6	Tier 1 ratio (%)	18,68%	18,68%	19,49%
7	Total capital ratio (%)	18,68%	18,69%	19,52%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,50%	1,50%	1,25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,84%	0,84%	0,70%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1,13%	1,13%	0,94%
EU 7d	Total SREP own funds requirements (%)	9,50%	9,50%	9,25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,03%	0,01%	0,01%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%
11	Combined buffer requirement (%)	2,53%	2,51%	2,51%
EU 11a	Overall capital requirements (%)	12,03%	12,01%	11,76%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,18%	9,19%	10,27%
	Leverage ratio			
13	Total exposure measure	13,194,516	12,916,333	12,283,341
14	Leverage ratio (%)	8,26%	8,34%	8,93%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%

	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,415,482	1,453,111	1,340,746
EU 16a	Cash outflows – Total weighted value	1,082,500	1,022,877	878,180
EU 16b	Cash inflows – Total weighted value	125,810	58,682	43,128
16	Total net cash outflows (adjusted value)	957,869	964,195	835,052
17	Liquidity coverage ratio (%)	159,78%	152,24%	160,56%
	Net Stable Funding Ratio			
18	Total available stable funding	10,745,141	10,224,816	10,000,184
19	Total required stable funding	8,558,332	8,153,334	7,859,754
20	NSFR ratio (%)	125,55%	125,41%	127,23%

In Helsinki, 15 February 2023

The Board of Directors of the Savings Banks' Union Coop

Pirkko Ahonen
Chairman of the Board

Jari Oivo
Vice Chairman of the Board

Ulf Sjöblom

Tuula Heikkinen

Eero Laesterä

Hannu Syvänen

Heikki Paasonen

Simo Leisti

Veli-Pekka Mattila

2. SAVINGS BANKS GROUP AND SAVINGS BANKS AMALGAMATION

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

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 15 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.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd and Mietoisten Säästöpankki with Liedon Säästöpankki during the financial year. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 15.

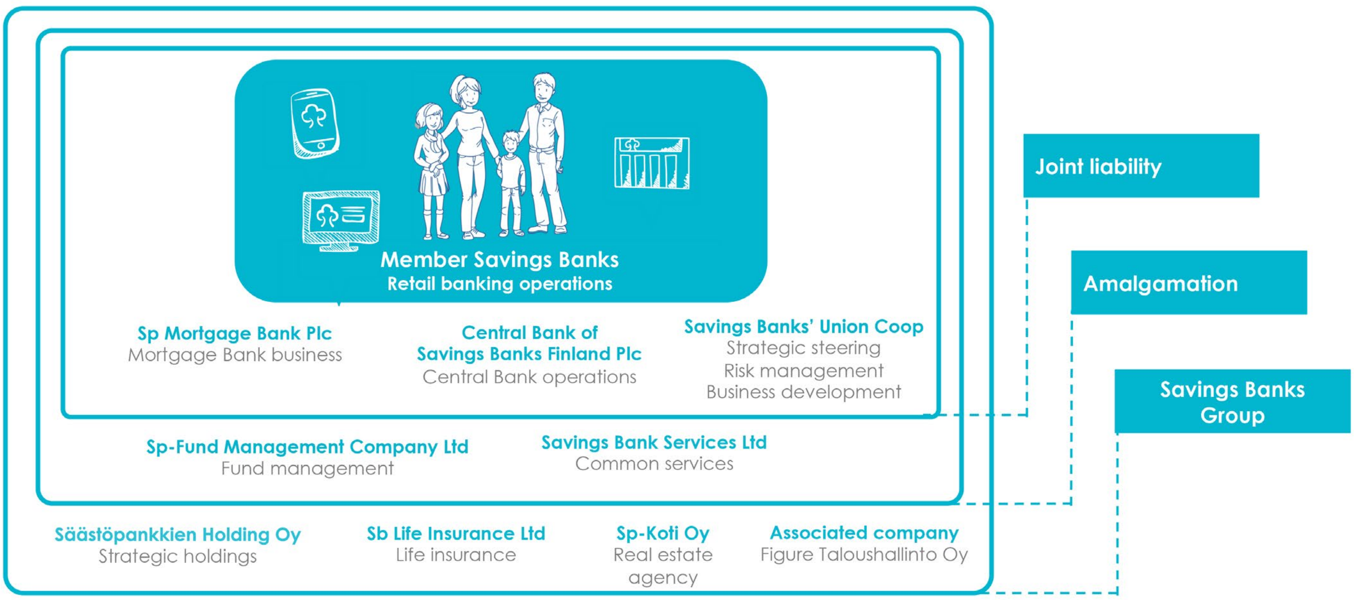
The Trustees of Lieto Savings Bank approved the corporate restructuring arrangements related to the merger of Lieto Savings Bank and Oma Savings Bank at a meeting of the Trustees on 22 September 2022. Lieto Savings Bank's exit from the Savings Banks Group and the Savings Banks Amalgamation is expected to be completed approximately on 28 February 2023. The financial impact of Lieto Savings Bank's exit on the Savings Banks Group is described in more detail in the Savings Banks Group's financial statements.

On 28 November 2022, Sp Mortgage Bank Plc and Oma Savings Bank Plc signed an agreement on selling the mortgages originated by Lieto Savings Bank and currently held by Sp Mortgage Bank to Oma Savings Bank. The signed agreement is part of a wider set of transactions whereby Lieto Savings Bank will sell its entire banking business to Oma Savings Bank. The mortgages to transferred to Oma Savings Bank on 5 March 2023 amount to approximately EUR 245 million as per 31 December 2022. After the sale, Oma Savings Bank carries all rights and responsibilities relating to the mortgages. The final volume of the mortgages subject to the transaction will be determined by the time the mortgages are transferred to Oma Savings Bank.

The Savings Bank Centre initiated change negotiations in May 2022 concerning approximately 470 employees in the Savings Banks' Union Coop, Savings Bank Services, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd and Sb Life Insurance. The aim of the change negotiations was to improve operational efficiency, simplify the organisational structure and clarify the division of labour and responsibilities. It was estimated that, if implemented, the planned measures would lead to the termination of a maximum of 45 positions. The change negotiations were concluded on 21 June 2022. As a result of the negotiations, the employment relationships of 21 employees were terminated. In addition, there were material changes to the duties of some personnel.

Tomi Närhinen, who had served as the CEO of the Savings Banks' Union Coop since 2017, left his position in June 2022. The Board of the Savings Banks' Union Coop appointed acting CEO Karri Alameri as the CEO of the Savings Banks' Union Coop on 15 August 2022.

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



3. INFORMATION ON CORPORATE GOVERNANCE

3.1 GOVERNANCE STRUCTURE

SAVINGS BANKS' UNION COOP GENERAL MEETING

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

SUPERVISORY BOARD

The general meeting elects the members of the Supervisory Board and their personal deputies for 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 15 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 Board of Directors has approved the principles of diversity, the aim of which is to ensure that the Board of Directors has sufficient and versatile expertise and experience in the credit institution's business and operational risks in terms of its tasks. 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 in 2022 was 33 per cent until 10 March 2022, and 22 per cent thereafter.

The members of the board during 2022 have been Mrs. Pirkko Ahonen (chairman), Mr. Jari Oivo (vice-chairman), Mrs. Tuula Heikkinen, Mr. Eero Laesterä, Mr. Jaakko Ossa until 10 March 2022, Mr. Heikki Paasonen, Mrs. Katarina Segerståhl until 10 March 2022, Mr. Jouni Niuro until 19 May 2022, Mr. Ulf Sjöblom, Mr. Hannu Syvänen, Mr. Simo Leisti from 13 June 2022 and Mr. Veli-Pekka Mattila from 13 June 2022. The Directors are CEOs or members of the board of directors of the Savings Banks, except Mrs. Tuula Heikkinen, Mr. Eero Laesterä, Mrs. Katarina Segerståhl and Mr. Simo Leisti, 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 Central Institution has Nomination Committee, Remuneration Committee, Audit Committee and Risk Committee. The Board of Directors have approved the rules of procedure for the committees.

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 a document on the amalgamation-level remuneration principles and remuneration guidelines for approval by the Board of Directors of savings banks and other entities. The Remuneration Committee also prepares recommendations concerning the remuneration policies of the Managing Directors in member credit institutions of the Savings Banks Amalgamation and other entities.

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.

Mr. Tomi Närhinen was the CEO of the Central Institution Until 27 June 2022 and from 15 August 2022 Mr. Karri Alameri. Mr. Karri Alameri acted as the deputy CEO until 15 August 2022, and Mr. Kai Koskela from 30 August 2022.

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.

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

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

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

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

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

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

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

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

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

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

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

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

- Risk control
- Compliance
- Internal audit

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

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

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

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

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

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

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

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

3.3 REMUNERATION

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

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

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 is adapted to the interests of the customers and includes measures to avoid conflicts of interest. Remuneration system and all related conditions are gender-neutral.

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

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

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

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

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

By limiting the maximum amount of variable remuneration for an individual, on an annual basis, up to EUR 50,000, and that the person's variable remuneration form no more than a one third of the total amount of annual remuneration, it is possible to pay a variable fee in full as a cash payment.

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

TABLE EU REM1 – REMUNERATION AWARDED FOR THE FINANCIAL YEAR

31.12.2022 (EUR 1,000)			a	b	c	d					
						Other identified staff					
			MB Supervisory function	MB Manage-ment function	Other senior manage-ment	Total	Retail	Asset management	Corporate functions	Independent internal control functions
1	Fixed remunation	Number of identified staff	13	9	10	80	68	2	0	10
2		Total fixed remuneration	113	1,007	1,909	9,144	8,018	363		763
3		Of which: cash-based	113	1,007	1,909	9,144	8,018	363		763
9	Variable remunation	Number of identified staff	13	9	10	80	68	2	0	10
10		Total variable remuneration		142	454	1,452	1,219	97		136
11		Of which: cash-based		142	454	1,452	1,219	97		136
17	Total remuneration (2 + 10)		113	1,149	2,363	10,596	9,237	460		899

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

		a	b	c	d
31.12.2022 (EUR 1,000)		**MB Supervisory function**	**MB Management function**	**Other senior management**	**Other identified staff**
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards – Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards – Total amount	0	0	0	0
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap				
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year – Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year – Total amount	0	0	0	0
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year – Number of identified staff	0	0	1	14
7	Severance payments awarded during the financial year – Total amount			143	334
8	Of which paid during the financial year				334
9	Of which deferred			143	0
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap				
11	Of which highest payment that has been awarded to a single person			143	117

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

		a	b	c	e	f	g	h	j
		Management body remuneration			Business areas				
	31.12.2022 (EUR 1,000)	MB Supervisory function	MB Management function	Total MB	Retail banking	Asset management	Corporate functions	Independent internal control functions	Total
1	Total number of identified staff	13	9	22	72	2	5	11	112
2	Of which: members of the MB	13	9	22					
3	Of which: other senior management				4		5	1	
4	Of which: other identified staff				68	2	0	10	
5	Total remuneration of identified staff	113	1,103	1,215	10,256	460	1,184	1,097	14,212
6	Of which: variable remuneration		142	142	1,419	97	244	183	2,085
7	Of which: fixed remuneration	113	1,007	1,074	8,836	363	940	914	12,127

4. INFORMATION ON RISK MANAGEMENT

4.1 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 Supervision 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 of the Savings Banks Group's financial statement.

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

4.2 RISK MANAGEMENT PRINCIPLES AND GOVERNANCE

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

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

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

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

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

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

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

- Risk Control
- Compliance
- Internal Audit

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

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

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

Chart: Risk management governance of the Central Institution

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

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

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

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

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

5. CAPITAL ADEQUACY, LEVERAGE RATIO AND MREL-REQUIREMENTS

5.1 CAPITAL ADEQUACY MANAGEMENT

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

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

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

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

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

5.2 CAPITAL ADEQUACY

At the end of 2022, the Savings Banks Amalgamation had a strong capital adequacy, and own funds consisted almost entirely of CET1 capital. Total own funds were EUR 1,090.5 (1,098.3) million, of which CET1 capital accounted for EUR 1,095.5 (1,096.6) million. Compared to the situation at the end of the year 2021, the decrease in CET1 capital was primarily due to the negative impact of changes in the interest rate environment on the market value of the investment portfolio. The growth in own funds was 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 0.03 (1.7) million, which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,837.3 (5,626.7) million, i.e., they were 3.7% higher than at the end of the previous year. The increase in risk-weighted exposure amounts was primarily driven by the increase in the risk-weighted exposures for credit and counterparty risk, and the biggest growth was seen in the exposure classes of corporate receivables, receivables with real estate collateral and retail receivables. The risk weighted assets for CVA-risk decreased due to decrease of the exposure values and the risk weighted assets for operational risk decreased slightly.

The negative impact on the withdrawal of Lieto Savings Bank on the Amalgamation's capital ratio is estimated to be approximately -0.8%-units. The capital ratio of the Savings Banks Amalgamation was 18.7 (19.5) % and the CET1 capital ratio was 18.7 (19.5) %.

On 27 October 2021, the European Commission published a proposal for a new banking package to implement the final Basel III regulation in the EU. The proposed amendments to the EU's Capital Requirements Regulation (CRR3), which are intended to enter into force from the beginning of 2025, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation.

CAPITAL ADEQUACY'S MAIN ITEMS

(EUR 1,000)	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,138,741	1,137,326
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-48,237	-40,722
Common Equity Tier 1 (CET1) capital	1,090,504	1,096,604
Tier 1 capital (T1 = CET1 + AT1)	1,090,504	1,096,604
Tier 2 (T2) capital before regulatory adjustments	28	1,673
Tier 2 (T2) capital	28	1,673
Total capital (TC = T1 + T2)	1,090,533	1,098,277
Risk weighted assets	5,837,252	5,626,667
of which: credit and counterparty risk	5,237,903	4,973,830
of which: credit valuation adjustment (CVA)	23,115	83,472
of which: market risk		
of which: operational risk	576,235	569,365
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18,7%	19,5%
Tier 1 (as a percentage of total risk exposure amount)	18,7%	19,5%
Total capital (as a percentage of total risk exposure amount)	18,7%	19,5%
Capital requirement		
Total capital	1,090,533	1,098,277
Capital requirement total*	702,048	661,465
of which: Pillar 2 additional capital requirement	87,559	70,333
Capital buffer	388,485	436,812

*The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, the 1.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

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

5.3 CAPITAL ADEQUACY REQUIREMENTS AND CALCULATION METHODS

The standard method is used to calculate the capital requirement to the credit and counterparty risk of the Savings Banks Amalgamation and the capital requirement to the operational risk is calculated by the basic method. Capital requirement to the credit valuation adjustment (CVA) is calculated by the standardized method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. The Savings Banks Amalgamation does not have a trading book and the amalgamation's business does not involve taking commodity risk. Risk weighted assets (TREA, total risk exposure amount) and 8% minimum requirement based on risk weighted assets are stated in the table EU OV1. A major part of the risk weighted assets of the Amalgamation consists of credit and counterparty risk (89%). The rest of the risk weighted assets consists of operational risk (10%) and credit valuation adjustment (0,4%).

EU OV1 – OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS

		Total risk exposure amounts (TREA)		Total own funds requirements
(EUR 1,000)		31.12.2022	31.12.2021	31.12.2022
1	Credit risk (excluding CCR)	5,233,815	4,956,929	418,705
2	Of which the standardised approach	5,233,815	4,956,929	418,705
6	Counterparty credit risk – CCR	27,203	100,373	2,176
7	Of which standardised approach	4,088	16,901	327
EU 8b	Of which credit valuation adjustment – CVA	23,115	83,472	1,849
9	Of which other CCR			
15	**Settlement risk**			
20	**Position, foreign exchange and commodities risks (Market risk)**			
21	Of which the standardised approach			
23	Operational risk	576,235	569,365	46,099
EU 23a	Of which basic indicator approach	576,235	569,365	46,099
29	Total	5,837,252	5,626,667	466,980

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

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

		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
31.12.2022 (EUR 1,000)		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	296,473	311,766	313,736	46,099	576,235

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

The capital requirement of the Savings Banks Amalgamation was EUR 702.0 (661,5) that equals to 12,03% of risk-weighted assets. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8% minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures. Further information on the country-specific countercyclical capital requirement is disclosed in the tables EU CCyB1 and EU CCyB2.

COMBINED CAPITAL REQUIREMENT, %

31.12.2022	Minimum requirement	Pillar 2 (SREP) -requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4,50	0,84	2,50	0,03	7,87
AT1	1,50	0,28			1,78
T2	2,00	0,38			2,38
Total	8,00	1,50	2,50	0,03	12,03

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

		a	f	g	j	k	l	m
		General credit exposures	Total exposure value	Own fund requirements		Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
31.12.2022 (EUR 1,000)		Exposure value under the standardised approach		Relevant credit risk exposures – Credit risk	Total			
010	**Breakdown by country:**							
011	Island	511	511	15	15	184	0,00%	2,00%
012	Norway	22,493	22,493	1,285	1,285	16,063	0,31%	2,00%
013	Denmark	23,775	23,775	1,754	1,754	21,921	0,42%	2,00%
014	Czech Republic	932	932	75	75	932	0,02%	1,50%
015	Sweden	58,774	58,774	4,198	4,198	52,470	1,01%	1,00%
016	Slovakia	536	536	4	4	54	0,00%	1,00%
017	Estonia	5,270	5,270	292	292	3,644	0,07%	1,00%
018	Luxemburg	13,060	13,060	1,004	1,004	12,545	0,24%	0,50%
019	Other	10,371,065	10,371,065	406,196	406,196	5,077,445	97,92%	0,00%
020	Total	10,496,417	10,496,417	414,821	414,821	5,185,258	100,00%	

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

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

(EUR 1,000)		31.12.2022
1	Total risk exposure amount	5,837,252
2	Institution specific countercyclical capital buffer rate	0,03%
3	Institution specific countercyclical capital buffer requirement	1,578

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5 (1.25) %. 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.

On 6 April 2020, in order to mitigate the effects of the COVID-19 pandemic, the Financial Supervisory Authority removed the systemic risk buffer, which was 1 per cent for the Savings Banks Amalgamation. Thus far, the Financial Supervisory Authority has not set the systemic risk buffer above zero due to the impacts of Russia's war of aggression. According to its macroprudential decision of 16 December 2022, the Board of the Financial Supervisory Authority has assessed the need and possibilities to strengthen the risk-bearing capacity of the national financial system with a systemic risk buffer requirement of no more than one per cent. According to the decision, the Board of the Financial Supervisory Authority will prepare to make a decision on setting a systemic risk buffer requirement in the first quarter of 2023 and the systemic risk buffer requirement would enter into force after the transitional period defined by law. The decision on setting a systemic risk buffer may be postponed if the requirement is expected to have a very negative impact on the functioning of credit markets in the short term.

In addition, the Financial Supervisory Authority has not set in 2022 the countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

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

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

TABLE EU INS1 – INSURANCE PARTICIPATIONS

31.12.2022 (EUR 1,000)		Exposure value	Risk exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	23,634	59,084

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

5.4 LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation was 8.3% (8.9%) clearly exceeding the 3% minimum requirement that became valid on 28 June 2021. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. In the year 2021, the leverage ratio weakened because total leverage exposure increased more than Tier 1 capital. The increase of exposures was the most significant in the exposures secured by immovable property, corporate exposures and exposures treated as sovereigns. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process. The risk of excessive leverage is managed as part of the capital management process. The development of the leverage ratio is estimated based on the Group's business plan and stress scenarios. The expected development of the leverage ratio is taken into account when setting the target and threshold levels for capital adequacy.

LEVERAGE RATIO

(EUR 1,000)	31.12.2022	31.12.2021
Tier 1 capital	1,090,504	1,096,604
Total leverage ratio exposures	13,194,516	12,283,341
Leverage ratio	8,3%	8,9%

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

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

31.12.2022 (EUR 1,000)		Applicable amount
1	Total assets as per published financial statements	13,779,568
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-994,686
8	Adjustment for derivative financial instruments	130,799
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	308,764
12	Other adjustments	-29,929
13	Total exposure measure	13,194,516

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

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

31.12.2022 (EUR 1,000)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	12,799,383
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	12,799,383
EU-4	Covered bonds	23,235
EU-5	Exposures treated as sovereigns	1,506,336
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	4,657
EU-7	Institutions	226,122
EU-8	Secured by mortgages of immovable properties	7,034,280
EU-9	Retail exposures	1,938,181
EU-10	Corporates	1,565,238
EU-11	Exposures in default	118,845
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	382,490

TABLE EU LR2 – LRCOM: LEVERAGE RATIO COMMON DISCLOSURE

(EUR 1,000)		CRR leverage ratio exposures 31.12.2022	31.12.2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	12,799,383	11,915,335
6	(Asset amounts deducted in determining Tier 1 capital)	-44,519	-38,854
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	12,754,864	11,876,481
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	79,772	61,679
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	51,115	34,136
13	Total derivatives exposures	130,888	95,815
Securities financing transaction (SFT) exposures			
18	Total securities financing transaction exposures		
Other off-balance sheet exposures			
20	(Adjustments for conversion to credit equivalent amounts)	308,764	311,046
22	Off-balance sheet exposures	308,764	311,046
Excluded exposures			
EU-22k	(Total exempted exposures)		
Capital and total exposure measure			
23	Tier 1 capital	1,090,504	1,096,604
24	Total exposure measure	13,194,516	12,283,341
Leverage ratio			
25	Leverage ratio (%)	8,26%	8,93%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8,26%	8,93%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8,26%	8,93%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%
EU-26b	of which: to be made up of CET1 capital	0,00%	0,00%
27	Leverage ratio buffer requirement (%)	0,00%	0,00%
EU-27a	Overall leverage ratio requirement (%)	3,00%	3,00%

Choice on transitional arrangements and relevant exposures			
Disclosure of mean values			
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13,194,516	12,283,341
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	13,194,516	12,283,341
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,26%	8,93%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8,26%	8,93%

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

5.5 MREL-REQUIREMENT

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 2022, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation Sp Mortgage Bank Plc. The requirement pursuant to the previous decision is valid until 31 December 2023. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously.

According to the decision of the Financial Stability Authority, the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024, the MREL requirement is 19.77% of the total risk exposure amount or 7.85% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024 it is 15.71% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher.

In addition to the requirement calculated on the basis of overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

6. RISKS IN THE BANKING SEGMENT

6.1 CREDIT AND COUNTERPARTY RISKS

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

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

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

6.1.1 MANAGEMENT AND MEASUREMENT OF CREDIT RISK

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

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

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

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

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

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

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

6.1.2 DOUBTFUL EXPOSURES

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

Delayed payment refers to the customer's receivables being overdue for 30-89 days and the customer being a potential problem customer. The Savings Banks Amalgamation's delayed receivables remained at a moderate level of 0.5 per cent (0.6) of the credit portfolio in 2022.

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

31.12.2022 (EUR 1,000)		Gross carrying amount
010	Initial stock of non-performing loans and advances	196,271
020	Inflows to non-performing portfolios	73,141
030	Outflows from non-performing portfolios	-83,509
040	Outflows due to write-offs	-2,668
050	Outflow due to other situations	-80,840
060	Final stock of non-performing loans and advances	185,903

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 or the lifecycle of the forborne exposure of the loan is one year. The Amalgamation's non-performing receivables amounted to 2.1 (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 2022. At the end of 2022 and during the spring 2022, the number of instalment-free periods had returned to the level before the COVID-19 pandemic.

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

The internal definition of the forborne exposures corresponds to the regulatory definition. Receivables whose terms have been renegotiated due to the customer's deteriorated ability to pay are reported as forborne exposures. In certain circumstances, when a debtor experiences financial difficulty, the customer is granted a concession on the terms of the loan in the form of an instalment-free period or restructuring the liability. The aim is to ensure the customer's ability to pay and avoid potential credit losses. Granting forbearance is conditional on the customer's financial difficulties being short-term and temporary. The Savings Banks Amalgamation's forborne exposures decreased during 2022 and amounted to 1.3% per cent of the credit portfolio at the end of the year.

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

Information on the credit quality of the performing and non-performing exposures is shown in the EU CR1 and EU CQ3 tables, information on the credit quality of the forborne exposures are shown in the EU CQ1 table and information on the collateral obtained by taking possession and the execution processes is shown in the EU CQ7 table. Liedon Säästöpankki is not included disclosed information on the table EU CR1, CQ3, CQ1 and CQ7 because according to EBA guidance assets debt instruments classified as held for sale in accordance with IFRS 5 are not included to the scope of the published information.

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
31.12.2022 (EUR 1,000)			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	1,220,416	1,220,416					-1	-1							
010	Loans and advances	9,093,097	8,010,363	1,082,735	185,903	33,188	150,346	-7,657	-2,930	-4,727	-36,227	-303	-35,918	-3,144	8,741,326	140,067
020	Central banks	76,395	76,395													
030	General governments	9,376	9,376					-10	-10							
040	Credit institutions	277	277					-277	-277							
050	Other financial corporations	30,441	30,441					-16	-16						25,943	
060	Non-financial corporations	1,937,363	1,534,561	402,803	41,347	2,155	38,696	-2,256	-755	-1,501	-11,354	-17	-11,332	-1,923	1,889,224	27,304
070	Of which SMEs	1,909,558	1,509,645	399,913	41,347	2,155	38,696	-2,238	-750	-1,488	-11,354	-17	-11,332	-1,923	1,861,481	27,304
080	Households	7,039,245	6,359,313	679,932	144,556	31,033	111,650	-5,097	-1,871	-3,226	-24,874	-286	-24,586	-1,221	6,826,159	112,763
090	Debt securities	711,566	595,030	36,376	546		546	-5,778	-2,240	-3,538	-499		-499		133,772	48
100	Central banks															
110	General governments	194,834	194,221					-253	-253						5,740	
120	Credit institutions	90,542	87,966					-190	-190						24,791	
130	Other financial corporations	77,312	11,930		546		546	-17	-17		-499		-499		5,936	48
140	Non-financial corporations	348,878	300,914	36,376				-5,318	-1,780	-3,538					97,305	
150	Off-balance-sheet exposures	769,793	722,195	47,598	3,199	231	1,463	747	380	367	204	1	203		361,866	745
160	Central banks															
170	General governments	136	136												126	
180	Credit institutions	13,372	13,372					16	16							
190	Other financial corporations	3,618	3,618					2	2						2,312	
200	Non-financial corporations	355,392	322,054	33,338	2,116		757	483	187	296	86		85		250,183	438
210	Households	397,275	383,015	14,260	1,084	231	706	247	176	70	118	1	118		109,245	307
220	Total	11,794,873	10,548,004	1,166,709	189,649	33,420	152,355	-14,181	-5,550	-8,631	-36,930	-304	-36,620	-3,144	9,236,964	140,859

Lieto Savings Bank is not included.

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
31.12.2022 (EUR 1,000)			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,220,416	1,220,416										
010	Loans and advances	9,093,097	8,810,433	282,664	185,903	104,864	18,490	19,058	17,189	19,820	4,157	2,325	133,616
020	Central banks	76,395	76,395										
030	General governments	9,376	9,376										
040	Credit institutions	277	277										
050	Other financial corporations	30,441	30,065	376									
060	Non-financial corporations	1,937,363	1,871,393	65,970	41,347	21,460	2,612	4,488	2,965	8,346	575	900	33,735
070	Of which SMEs	1,909,558	1,845,252	64,306	41,347	21,460	2,612	4,488	2,965	8,346	575	900	33,735
080	Households	7,039,245	6,822,926	216,318	144,556	83,404	15,877	14,570	14,224	11,474	3,581	1,425	99,881
090	Debt securities	711,566	711,566		546	546							
100	Central banks												
110	General governments	194,834	194,834										
120	Credit institutions	90,542	90,542										
130	Other financial corporations	77,312	77,312		546	546							
140	Non-financial corporations	348,878	348,878										
150	Off-balance-sheet exposures	769,793			3,199								2,907
160	Central banks												
170	General governments	136											
180	Credit institutions	13,372											
190	Other financial corporations	3,618											
200	Non-financial corporations	355,392			2,116								1,947
210	Households	397,275			1,084								960
220	Total	11,794,873	10,742,415	282,664	189,649	105,410	18,490	19,058	17,189	19,820	4,157	2,325	136,523

Lieto Savings Bank is not included.

TABLE EU CQ1: CREDIT QUALITY OF FORBORNE EXPOSURES

31.12.2022 (EUR 1,000)		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**								
010	Loans and advances	49,721	63,987	24,102	30,216	-256	-6,912	102,940	54,680
060	Non-financial corporations	8,070	10,646	5,119	8,003	-29	-2,437	15,328	7,885
070	Households	41,650	53,341	18,983	22,213	-227	-4,475	87,612	46,795
090	Loan commitments given	97	41	24	24	1	6	45	13
100	Total	49,817	64,027	24,126	30,240	-257	-6,918	102,985	54,693

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

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

31.12.2022 (EUR 1,000)		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
020	Other than PP&E	642	-30
030	Residential immovable property	256	-15
040	Commercial Immovable property	386	-15
080	Total	642	-30

Lieto Savings Bank is not included. The rows 010 and 050-070 are not disclosed as there is no figures in these rows.

6.1.3 CREDIT PORTFOLIO

The loan portfolio of the Banking segment was EUR 10,356 (9,649) million at the end of 2022 and increased with 7.3 % compared to previous year-end.

The lending to retail customers was 67.7 (70.3) %, to corporate customers 24.4 (21.8) % and to agricultural and other customers 7.8 (7.9) %.

BREAKDOWN OF LOANS BY CUSTOMER GROUPS

(EUR 1,000) Customer group	31.12.2022	31.12.2021	muutos %
Retail customers	7,013,333	6,782,012	3,4%
SME corporate customers	2,527,861	2,103,859	20,2%
Agricultural and other customers	814,936	763,583	6,7%
Total	10,356,130	9,649,454	7,3%

The mortgage lending was EUR 6,117.6 (5,891.7) million at the end of 2022 with growth of 3.8 (0.9) % during the year.

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

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

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

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

TABLE EU CR1-A: MATURITY OF EXPOSURES

		a	b	c	d	e	f
		Net exposure value					
31.12.2022 (EUR 1,000)		On demand	<= 1 year	> 1 year <= 5 year	> 5 year	No stated maturity	Total
1	Loans and advances	78,055	290,100	682,153	7,980,929	203,881	9,235,117
2	Debt securities		161,655	372,702	106,096	65,382	705,835
3	Total	78,055	451,755	1,054,854	8,087,025	269,263	9,940,952

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.

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.

RETAIL EXPOSURES BY RATING DISTRIBUTION

(EUR 1,000)	31.12.2022				% of portfolio	
Description	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**31.12.2022**	**31.12.2021**
1 Excellent	855,666	2,804		858,469	12,2%	12,05%
2 Good	1,792,686	3,113		1,795,799	25,6%	24,51%
3 Good	2,120,223	26,962		2,147,184	30,6%	30,39%
4 Average	732,599	42,308		774,907	11,0%	11,52%
5 Average	294,044	34,151		328,195	4,7%	5,14%
6 Weak	222,022	96,715		318,738	4,5%	4,53%
7 Past due but not impaired	90,009	86,975		176,984	2,5%	2,70%
8 Past due but not impaired	58,965	131,769	44	190,779	2,7%	2,80%
9 Past due but not impaired	56,370	265,198	22	321,590	4,6%	5,09%
D Non-performing			100,687	100,687	1,4%	1,28%
Total	6,222,584	689,995	100,754	7,013,333	100,00%	100,00%

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)	31.12.2022				% of portfolio	
Description	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**31.12.2022**	**31.12.2021**
1 Excellent	163,180	262		163,442	4,89%	3,80%
2 Good	170,961	4,914		175,875	5,26%	4,80%
3 Good	290,497	10,058		300,555	8,99%	9,60%
4 Average	879,285	39,848		919,133	27,50%	28,90%
5 Average	620,586	44,666		665,252	19,90%	20,50%
6 Weak	408,534	145,310		553,844	16,57%	16,10%
7 Past due but not impaired	167,072	222,039	112	389,223	11,64%	10,70%
8 Past due but not impaired	19,058	67,577		86,635	2,59%	2,80%
9 Past due but not impaired	3,769	13,038		16,808	0,50%	0,60%
D Non-performing			72,031	72,031	2,15%	2,20%
Total	2,722,942	547,712	72,143	3,342,797	100,00%	100,00%

The distribution of exposures by risk categories has remained at the previous year's level. Number of housing cooperatives has significantly increased during the year 2022. It should be noted that the content of the corporate portfolio shown in the table differs from what it was in the modeling phase.

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 2.4 (1.3) % of the total lending portfolio. The largest industries in the corporate portfolio are real estate and construction, which are 16.4 (13.9) % of the total loan portfolio.

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

		a	c	e	f
		Gross carrying amount		Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
31.12.2022 (EUR 1,000)			Of which defaulted		
010	Agriculture, forestry and fishing	121,772	1,440	-1,137	
030	Manufacturing	121,199	5,324	-1,233	
060	Construction	201,729	4,583	-1,245	
070	Wholesale and retail trade	155,218	4,711	-1,401	
090	Accommodation and food service activities	67,812	3,657	-1,846	
120	Real estate activities	1,001,818	5,598	-2,843	
130	Professional, scientific and technical activities	67,205	1,375	-237	
190	Other services	241,958	7,048	-3,667	
200	Total	1,978,711	33,735	-13,610	0

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

The table does not include columns b and d because they are not part of the disclosure requirements of the Amalgamation. Lieto Savings Bank is not included.

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

6.1.4. INFORMATION ON THE CREDIT RISK CAPITAL REQUIREMENT CALCULATION

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

The largest exposure classes of the Savings Banks Amalgamation are exposures secured by immovable properties (53%), central governments or central banks (16%) and retail and corporates which both have approximately 13% share of the risk weighted assets for credit risk. In the capital adequacy calculation in addition to direct exposures also exposures which have government guarantees can be treated as exposures from central government. The same principle also applies to guarantees from Finnish municipalities and all other guarantees which reduce the risk weight of the exposure in the capital adequacy calculation. The major part of the exposures secured by mortgages on immovable property have residential properties as collateral. Exposures secured by mortgages also include exposures which have commercial real estate as collateral. In addition to immovable property, exposure can have financial collateral such as deposits or securities.

Exposure that does not have collateral which would fulfil the CRR requirements are allocated to retail or corporate exposure classes. In addition, exposure with a guarantee from an externally rated corporate are allocated to the corporate exposure class. The Savings Banks Amalgamation applies external credit rating (Standard & Poor's) only to define the risk weight of guarantees given by an insurance company. Even though retail or corporate exposure does not have a guarantee or collateral that would fulfil the CRR requirements, with the exception mentioned hereinabove, this exposure typically has other guarantees or collateral such as other immovable property, personal guarantee or business mortgage. The average risk weight of the Savings Banks Amalgamation's exposures was 40% at the end 2022.

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

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

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
31.12.2022 (EUR 1,000)		a	b	c	d	e
1	Loans and advances	1,574,141	8,881,392	8,478,712	402,680	
2	Debt securities	572,015	133,820	51,426	82,394	
3	Total	2,146,156	9,015,212	8,530,138	485,074	
4	Of which non-performing exposures	9,609	140,114	135,130	4,984	
EU-5	Of which defaulted	4,578	99,048			

Lieto Savings Bank is not included.

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

	31.12.2022 (EUR 1,000)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
	Exposure classes	a	b	c	d	e	f
1	Central governments or central banks	1,479,606		2,131,923	13,201		0,00%
2	Regional government or local authorities	25,650	1,126	42,281	853	774	1,79%
3	Public sector entities	2,425		2,425		174	7,16%
4	Multilateral development banks	1,801		80,548	49		0,00%
5	International organisations	1,511		1,511			0,00%
6	Institutions	226,122	1,115	227,127	616	47,609	20,90%
7	Corporates	1,565,238	279,714	1,504,670	112,191	1,357,310	83,95%
8	Retail	1,938,181	420,188	1,197,677	111,317	901,377	68,86%
9	Secured by mortgages on immovable property	7,034,280	133,119	7,034,280	63,592	2,417,659	34,06%
10	Exposures in default	118,845	2,713	110,157	1,328	118,832	106,59%
11	Exposures associated with particularly high risk						-
12	Covered bonds	23,235		23,235		2,323	10,00%
13	Institutions and corporates with a short-term credit assessment						-
14	Collective investment undertakings	112,525		112,525		134,855	119,84%
15	Equity	81,280		81,280		118,301	145,55%
16	Other items	144,166		144,166		134,601	93,37%
17	TOTAL	12,754,864	837,975	12,693,804	303,146	5,233,815	40,27%

TABLE EU CR5 – STANDARDISED APPROACH

	31.12.2022 (EUR 1,000)	Risk weight										Total	Of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%		
	Exposure classes	a	d	e	f	g	i	j	k	l	n	p	q
1	Central governments or central banks	2,145,124										2,145,124	2,145,124
2	Regional government or local authorities	39,266		3,868								43,134	43,134
3	Public sector entities	1,557		869								2,425	2,425
4	Multilateral development banks	80,597										80,597	80,597
5	International organisations	1,511										1,511	1,511
6	Institutions			225,166				2,576				227,742	227,742
7	Corporates					101,923		1,514,939				1,616,861	1,514,939
8	Retail exposures						1,308,993					1,308,993	1,308,993
9	Exposures secured by mortgages on immovable property				6,972,573	125,298						7,097,871	7,097,871
10	Exposures in default							96,791	14,694			111,485	111,485
11	Exposures associated with particularly high risk												
12	Covered bonds		23,235									23,235	23,235
13	Exposures to institutions and corporates with a short-term credit assessment												
14	Units or shares in collective investment undertakings			12,454				97,263			2,808	112,525	112,525
15	Equity exposures							56,599		24,681		81,280	81,280
16	Other items	8,929		794				134,442				144,166	144,166
17	TOTAL	2,276,984	23,235	243,151	6,972,573	227,221	1,308,993	1,902,610	14,694	24,681	2,808	12,996,951	12,895,028

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

6.1.5. COUNTERPARTY CREDIT RISK

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

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

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

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

The capital requirement for credit valuation risk (CVA) was 1.8 (6.7) million euros and counterparty credit risk was 0.3 (1.4) million euros at the end of 2022.

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

TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

		a	b	c	d	e	f	g	h
31.12.2022 (EUR 1,000)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
1	SA-CCR (for derivatives)	2,330	12,270		1.4	20,441	20,441	20,441	4,088
6	Total					20,441	20,441	20,441	4,088

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

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

		a	b
31.12.2022 (EUR 1,000)		Exposure value	RWEA
4	Transactions subject to the Standardised method	20,441	23,115
5	Total transactions subject to own funds requirements for CVA risk	20,441	23,115

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

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

31.12.2022 (EUR 1,000)		e	l
Exposure classes		20%	Total exposure value
6	Institutions	20,441	20,441
11	Total exposure value	20,441	20,441

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

TABLE EU CCR5 – COMPOSITION OF COLLATERAL FOR CCR EXPOSURES

31.12.2022 (EUR 1,000)		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
Collateral type		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency				54,650				
9	Total				54,650				

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

6.2 MARKET RISK

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

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

The member credit institutions of the Savings Banks Amalgamation do not, as a rule, engage in trading 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.

The dependence of The Savings Banks' investment operations on the effects of the war in Ukraine has been very limited. However, the change in the interest rate environment has strongly affected the market values of the Savings Banks' investments.

The table below shows the diversity of investment portfolio by asset classes.

	31.12.2022		31.12.2021	
Investment portfolio (EUR 1,000) *	**Fair value**	**Share (%)**	**Fair value**	**Share (%)**
Debt securities	671,701	74,8%	783,481	77,0%
Shares	81,410	9,1%	83,961	8,3%
Structured investments	3,368	0,4%	3,394	0,3%
Other investments	84,762	9,4%	83,659	8,2%
Properties	56,298	6,3%	62,459	6,1%
Total	897,539	100%	1,016,954	100%

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

Risk factor (EUR 1,000)	Chg %	31.12.2022	31.12.2021	Income*	Own funds*
Interest rates	+,1%	-17,143	-24,710	-60	-16,545
Share prices	-10%	-8,141	-8,396	-8,141	-8,141
Property values	-10%	-5,630	-6,246	-	-
Structured investment value	-10%	-337	-339	-337	-337
Other investment value	-10%	-8,476	-8,366	-8,476	-8,476

* 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)	31.12.2022	31.12.2021
Listed shares	43,857	51,080
Unlisted shares	37,553	32,881
Total	81,410	83,961

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

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

MARKET RISK MANAGEMENT

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

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

6.3 INTEREST RATE RISK IN THE BANKING BOOK

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

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

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

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

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

The following table presents the interest rate risk as at the end of 2022 and 2021. Scenarios 1 and 2 are 2%-point parallel shocks up and down, respectively, also for net interest income. The largest change in the economic value of equity at the end of 2021 came from the short rates up shock. The risk in the scenario is about -56 million euros or -5.1% relative to tier 1 capital. The lowest result in the changes to the net interest income came from the 2%-point parallel shift down scenario, where net interest income would be about 43.7 million euros lower compared to the base scenario. The change seen in interest rate risk during 2022 is due to the rise of market rates from negative to positive territory. Downward shocks are no longer limited by the floors in products or the scenario. The risk seen in downward shock scenarios also reflects the significantly improved forecast for future net interest income; lower market rates would in turn lower the expected net interest income closer to levels seen during 2021.

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

(EUR 1,000)		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios		31.12.2022	31.12.2021	31.12.2022	31.12.2021
1	Parallel up	-39,858	48,247	40,377	50,410
2	Parallel down	-392	-21,893	-43,704	4,854
3	Steepener	27,308	3,200		
4	Flattener	-47,741	-18,889		
5	Short rates up	-56,273	-4,559		
6	Short rates down	33,420	-30,061		

6.4 LIQUIDITY RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liabilities 2022 (EUR 1,000)	Total	< 3 mon	3–12 mon	1–5 years	> 5 years
Due to credit institutions and central banks	450,945	112,655	150,000	168,000	20,290
Amounts owed to customers and public entities	6,999,896	6,276,298	583,801	139,797	0
Debt securities in issue	2,756,667	88,726	185,151	1,832,794	649,996
Subordinated liabilities	2,058	2,058	0	0	0
Other liabilities	1,427,039	1,163,954	850	102,545	159,690
Liabilities total	11,636,605	7,643,691	919,802	2,243,136	829,976
Derivatives, net cash flows	-304,895	-5	-23,081	-220,601	-61,208

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

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.

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

The long-term credit rating that Standard & Poor's Rating Services has granted to The Central Bank of Savings Banks Finland remained in 2022 at an 'A-', negative outlook. The short-term credit rating remained at 'A-2'.

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

The main drivers of the Amalgamation's LCR are the volatility of ECB exposures and maturing wholesale funding issued by The Central Bank of Savings Banks and Sp Mortgage Bank. The largest changes in LCR during the period were due to the redemption of a 500 million euro covered bond and the issue of a 750 million euro covered bond, both in November by Sp Mortgage Bank.

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

Derivatives are only used for hedging. The collateral needs that would result from the impact of an adverse market scenario on the Amalgamation's derivative transactions comprised less than 6% of the LCR net outflows at the end of 2022.

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

The Amalgamation had at the end of 2022 LCR compliant liquid assets (before haircuts) 1,586 (1,438) million euros, of which 77 (71) per cent were notes and coins and central bank receivables, 13 (14) per cent were government bonds, 10 (15) per cent were other liquid assets. The Amalgamation's LCR was 144 (161) per cent at the end of 2022.

The net stable funding requirement (NSFR) ratio was 126 (127)%, which is notably higher than the regulatory limit of 100 per cent. The available stable funding was EUR 10,745.1(10,000.2) million. Its largest items were deposits with EUR 6,102.9 (6,072.6) million, primary capital (T1) EUR 1,090.5(1,098.3) million and issued bonds with EUR 2,756.7 (1,995.3) million. Required stable funding was EUR 8,558.3 (7,859.8) million and consisted mostly of lending with 7,571.8 (6,856.6) million euros.

TABLE EU LIQ1 – QUANTITATIVE INFORMATION OF LCR

		a	b	c	d	e	f	g	h
(EUR 1,000)		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	31.12.2022	30.9.2022	30.6.2022	31.3.2022	31.12.2022	30.9.2022	30.6.2022	31.3.2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					1 415 482	1 467 942	1 453 111	1 390 499
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	6,295,127	6,318,489	6,309,240	6,275,220	386,829	387,940	386,514	383,629
3	Stable deposits	5,161,655	5,184,670	5,188,073	5,171,516	258,083	259,233	259,404	258,576
4	Less stable deposits	1,133,473	1,133,819	1,121,167	1,103,704	128,746	128,707	127,111	125,053
5	Unsecured wholesale funding	935,967	908,731	890,500	844,396	531,006	508,727	508,111	483,856
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	24,972	24,972	25,000	25,000	6,243	6,243	6,250	6,250
7	Non-operational deposits (all counterparties)	882,139	858,956	841,608	799,917	495,908	477,682	477,970	458,127
8	Unsecured debt	28,855	24,802	23,891	19,479	28,855	24,802	23,891	19,479
9	**Secured wholesale funding**								
10	Additional requirements	870,644	911,256	860,479	848,934	121,513	156,290	109,555	109,562
11	Outflows related to derivative exposures and other collateral requirements	32,151	25,512	21,675		32,151	25,512	21,675	22,890
12	Outflows related to loss of funding on debt products	41,667	83,375	41,760	41,978	41,667	83,375	41,760	41,978
13	Credit and liquidity facilities	796,827	802,370	797,044	784,066	47,695	47,403	46,120	44,694
14	Other contractual funding obligations	4,595	6,566	8,486	9,878	840	1,074	1,371	1,232
15	Other contingent funding obligations	440,796	331,477	221,297	110,488	42,311	29,464	17,325	5,193
16	TOTAL CASH OUTFLOWS					1,082,500	1,083,495	1,022,877	983,473
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	90,862	77,260	74,118	70,707	52,161	44,571	42,635	40,480
19	Other cash inflows	94,723	39,945	44,593	42,021	73,649	13,523	16,047	25,254
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	185,586	117,206	118,711	112,729	125,810	58,094	58,682	65,735
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	185,586	117,206	118,711	126,265	125,810	58,094	58,682	65,735
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1,415,482	1,467,942	1,453,111	1,390,499
22	TOTAL NET CASH OUTFLOWS					957,869	1,025,401	964,195	917,738
23	LIQUIDITY COVERAGE RATIO					159,78%	146,70%	152,24%	153,14%

TABLE EU LIQ2: NET STABLE FUNDING RATIO

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
(EUR 1,000)		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	1,090,504			28	1,090,533
2	Own funds	1,090,504			28	1,090,533
3	Other capital instruments					
4	Retail deposits		6,267,721	193,557	26,161	6,102,899
5	Stable deposits		5,116,562	115,196	17,877	4,988,047
6	Less stable deposits		1,151,158	78,361	8,285	1,114,852
7	Wholesale funding:		1,588,936	415,604	2,869,867	3,551,709
8	Operational deposits		25,000			12,500
9	Other wholesale funding		1,613,936	415,604	2,869,867	3,564,209
10	**Interdependent liabilities**					
11	Other liabilities:		326,103			
12	NSFR derivative liabilities	265,261				
13	All other liabilities and capital instruments not included in the above categories		326,103			
14	Total available stable funding (ASF)					10,745,141
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					108,985
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		59,796	54,108	3,108,693	2,739,208
16	**Deposits held at other financial institutions for operational purposes**					
17	Performing loans and securities:		318,425	368,226	6,641,560	5,158,082
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		272	501	2,841,187	4,802,037
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		151,237	154,865	778,234	2,928,939
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		33,804	33,560	3,446,780	
22	Performing residential mortgages, of which:		149,705	148,624	3,446,523	
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		149,705	148,624	323,358	325,534
24	Other loans and securities that are not in default and do not qualify as HQLA, including ex-change-traded equities and trade finance on-balance sheet products		17,211	64,235		
25	**Interdependent assets**					
26	Other assets:		110,298	5,133	456,913	496,002
30	NSFR derivative liabilities before deduction of variation margin posted		266,641			13,332
31	All other assets not included in the above categories		110,298	5,133	456,913	496,002
32	Off-balance sheet items		234,760	94,711	491,694	42,723
33	Total RSF					8,558,332
34	Net Stable Funding Ratio (%)					125,55%

6.5 ASSET ENCUMBRANCE

The Amalgamation's asset encumbrance level was 26.8% at the end of 2022. The most significant source of asset encumbrance for the Amalgamation were covered bonds issued by Sp Mortgage Bank. Mortgage bank activity accounted for 94% of the Amalgamation's asset encumbrance. Due to Sp Mortgage Bank's switch to the intermediary loan model, part of the loan stock pledged as collateral to the covered bonds is on the Savings banks' balance sheets.

At the end of 2022 Sp Mortgage Bank had EUR 2,050 million of outstanding covered bonds and EUR 3,225 million of encumbered mortgage loans, of which 989 million euros was on the Savings banks' balance sheets.

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

The following tables EU AE1-AE4 provide information on asset encumbrance. Figures are presented as quarterly median values for 2022.

TABLE EU AE2 – COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
31.12.2022 (EUR 1,000)		010	030	040	060
130	Collateral received by the disclosing institution	1,084		276	
140	Loans on demand	1,084		276	
250	Total collateral received and own debt securities issued	2,386,959	19,608		

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

TABLE EU AE3 – SOURCES OF ENCUMBRANCE

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
31.12.2022 (EUR 1,000)		010	030
010	Carrying amount of selected financial liabilities	2,036,508	2,386,959

TABLE EU AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

31.12.2022 (EUR 1,000)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	2,385,786	19,608			9,858,913	1,783,801		
030	Equity instruments					76,579		76,622	
040	Debt securities	93,321	19,608	93,321	19,608	693,396	384,816	693,330	384,406
050	of which: covered bonds					24,610	24,610	24,608	24,608
060	of which: covered bonds								
070	of which: issued by general governments	2,729	2,729	2,729	2,729	191,033	186,173	190,266	186,042
080	of which: issued by financial corporations	55,497		55,497		140,221	33,004	140,219	33,003
090	of which: issued by non-financial corporations	35,095	16,893	35,095	16,893	365,155	177,657	365,155	177,657
120	Other assets	2,292,464				9,103,779	1,404,156		

6.6 REAL ESTATE RISK

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

6.7 OPERATIONAL RISK

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

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

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

The Savings Banks Amalgamation has identified the operational risks associated with the most important products, services, operations, processes and systems.

Identifying operational risks helps determine their monitoring and controls. Some of the losses caused by operational risks are covered by insurance. The continuity plans of member banks and product and service companies help prepare for significant interruptions in operations.

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

6.8 LEGAL RISKS

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

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

6.9 BUSINESS RISK

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

7. ASSET MANAGEMENT AND LIFE INSURANCE

7.1 ASSET MANAGEMENT

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

Fund capital managed by Sp-Fund Management Company totalled EUR 4.2 (4.5) billion. The total number of investment funds managed at the end of 2022 was 24 investment funds and 9special investment funds.

7.2 LIFE INSURANCE

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

PROFITABILITY OF LIFE INSURANCE

(EUR 1,000)	31.12.2022			31.12.2021
	Risk premiums	Claims incurred	Claims ratio	Claims ratio
Risk insurance	4,642	1,676	36%	23%
Savings and pension insurance	24,054	23,206	96%	96%
Total	28,696	24,883	87%	83%

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 company has reinsured every insured in the event of death or permanent disability to the extent that the risk sum (or sum insured) exceeds EUR 150,000 or EUR 300,000 in new contracts from 1 January 2023. 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. 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 2022, 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.

DISTRIBUTION OF INVESTMENT ASSETS

(EUR 1,000)

Type of investment		31.12.2022	31.12.2021
Bonds			
	Bonds		
	Fixed-income funds	108,368	102,162
Shares, Developed markets			
	Shares		3,200
	Equity funds	19,523	36,591
Structured investments			
Hedge funds		9,997	9,552
Real estate			
	Real estate		
	Real estate funds	10,903	11,514
Bank receivables in investments		8,403	4,366
Derivatives			
Total		148,791	167,387

BOND AND FIXED INCOME FUND INVESTMENTS ACCORDING TO MODIFIED DURATION

(EUR 1,000)

Modified duration	31.12.2022	Share	31.12.2021	Share
0–1	15,717	24%	24,849	24%
1–3	12,482	18%	18,047	18%
3–5	13,523	21%	21,117	21%
5–7	29,382	13%	13,388	13%
7–10	21,915	11%	11,683	11%
10–	15,349	13%	13,079	13%
Total	108,368	100%	102,162	100%

COUNTERPARTY RISK

Bonds and structured loans according to maturity and credit rating

(EUR 1,000)	Maturity						31.12.2022		31.12.2021	
Credit rating	0 – 1	1 – 3	3 – 5	5 – 7	7 – 10	10 –	Total	Share	Total	Share
AAA	1,401	657	2,919	4,245	2,332	3,499	15,054	8%	8,297	8%
AA	2,140	2,271	1,356	5,488	6,744	3,439	21,438	5%	4,824	5%
A	4,860	2,009	3,569	7,374	9,036	3,804	30,653	11%	11,747	11%
BBB	2,009	1,569	1,906	4,756	2,881	2,177	15,299	26%	26,343	26%
< BBB	2,123	2,858	2,245	4,924	453	1,172	13,775	36%	37,008	36%
Unclassified	3,184	3,117	1,526	2,595	469	1,258	12,149	14%	13,942	14%
Total	15,717	12,482	13,523	29,382	21,915	15,349	108,368	100%	102,162	100%

CURRENCY RISK

CURRENCY RISK

Investments by currency (EUR 1,000)

Valuutta	31.12.2022	Share	31.12.2021	Share
EUR	126,918	85%	148,974	89%
USD	15,325	10%	11,048	7%
GBP	2,976	2%	4,687	3%
Others	3,571	2%	2,678	2%
Total	148,791	100%	167,387	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. The table below shows the sensitivity analysis of the investment portfolio, which describes the effect of different market risk factors on investment assets

Issuer manages the credit risk of investment operations and counterparty limits.

SENSITIVITY ANALYSIS

(EUR 1,000)	Change in own funds		
Risk factor	**Change**	**31.12.2022**	**31.12.2021**
Interest	+1%-yks.	101	-1,021
	-1%-yks.	-322	2,621
Share	-10%	-2,052	-4,079
Real estate	-10%	-1,300	-1,151
Currency	Muut/Euro -10%	-2,187	-1,791
Structured loans	-10%	0	0

8. OTHER PILLAR 3 DISCLOSURES

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

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

31.12.2022

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

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

In accordance with the accounting policy confirmed by the Savings Banks' Union Coop, the IFRS 5 Non-current Assets Held for Sale and Discontinued Operations standard is applied to Lieto Savings Bank's exit in the Savings Banks Group's financial statements for 2022. Lieto Savings Bank's assets and liabilities are presented in the Savings Banks Group's balance sheet as a separate line item under assets and liabilities in the table below. Application of IFRS5 does not have an effect on the capital adequacy calculation of the Amalgamation at the year-end 2022.

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

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

		a	b	c	d	e	f	g
				Carrying values of items				
	31.12.2022 (EUR 1,000)	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Assets							
1	Cash and cash equivalents	1,207,448	1,207,448	1,207,448			43	
2	Loans and advances to credit institutions	205,047	205,014	205,014				
3	Loans and advances to customers	9,024,439	9,024,855	9,024,855				
4	Derivatives	89	89		89			
5	Investment assets	784,650	793,844	793,844			2,905	
6	Life insurance assets	1,006,583						
7	Investments in associates and joint ventures	119	119	119				
8	Property, plant and equipment	39,093	38,839	38,839				
9	Intangible assets	27,690	24,748					24,748
10	Tax assets	20,063	20,230	459				19,771
11	Other assets	94,362	99,709	86,913	12,796			
12	Demerged assets from Savings Banks Group	1,369,986	1,369,986	1,369,634	316			36
13	Total assets	13,779,568	12,784,882	12,727,126	13,201		2,948	44,555
	Liabilities							
1	Financial liabilities at fair value through profit or loss	18,107						
2	Liabilities to credit institutions	450,946	450,946					450,946
3	Liabilities to customers	6,994,366	6,999,897					6,999,897
4	Derivatives	263,422	263,422		263,422			
5	Debt securities issued	2,756,666	2,756,666					2,756,666
6	Life insurance liabilities	950,931						
7	Subordinated liabilities	2,142	2,058					2,058
8	Tax liabilities	66,454	64,321					64,321
9	Provisions and other liabilities	129,627	129,480		8,806			120,673
11	Demerged liabilities from Savings Banks Group	969,816	969,816		4,086			965,730
12	Total liabilities	12,602,478	11,636,606		276,315			11,360,291

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

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

		a	b	c	d	e
		Total	Items subject to			
31.12.2022 (EUR 1,000)			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	Assets carrying value amount under the scope of prudential consolidation (as per Table LI1)	12,740,327	12,727,126		13,201	2,948
2	Liabilities carrying value amount under the scope of prudential consolidation (as per Table LI1)	276,315			276,315	
3	Total net amount under the scope of prudential consolidation	12,464,012	12,727,126		-263,114	2,948
4	Off-balance-sheet amounts	839,067	839,067			
5	Differences in valuations	-1,269	-1,269			
6	Differences due to different netting rules, other than those already included in row 2	265,261			265,261	
7	Differences due to consideration of provisions					
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-67,564	-67,564			
9	Differences due to credit conversion factors	-528,325	-528,325			
10	Differences due to Securitisation with risk transfer					
11	Other differences	46,210	27,916		18,294	
12	Exposure amounts considered for regulatory purposes	13,017,391	12,996,951		20,441	

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

TABLE EU CC1 – COMPOSITION OF REGULATORY OWN FUNDS

31.12.2022 (EUR 1,000)		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	56,767	
	of which: Shares	25,303	(a)
	of which: Primary capital	31,452	(b)
	of which: Share premium accounts	12	(c)
2	Retained earnings	815,866	(d)
3	Accumulated other comprehensive income (and other reserves)	197,172	(c)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	68,935	(d)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,138,741	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1,269	
8	Intangible assets (net of related tax liability) (negative amount)	-24,748	(e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	51	(f)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-19,771	(g)
27A	Other value adjustments	-2,499	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-48,237	
29	Common Equity Tier 1 (CET1) capital	1,090,504	
Additional Tier 1 (AT1) capital: instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments		
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		
44	Additional Tier 1 (AT1) capital		
45	Tier 1 capital (T1 = CET1 + AT1)	1,090,504	

Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	28	(h)
51	Tier 2 (T2) capital before regulatory adjustments	28	
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital		
58	Tier 2 (T2) capital	28	
59	Total capital (TC = T1 + T2)	1,090,533	
60	Total Risk exposure amount	5,837,252	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	18,68%	
62	Tier 1 capital	18,68%	
63	Total capital	18,68%	
64	Institution CET1 overall capital requirements	7,87%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,03%	
67	of which: systemic risk buffer requirement	0,00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,84%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	9,18%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	11,852	(i)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	24,681	(i)

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

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

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
31.12.2022 (EUR 1,000)		**31.12.2022**	**31.12.2022**	
Assets – *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash and cash equivalents	1,207,448	1,207,448	
2	Loans and advances to credit institutions	205,047	205,014	
3	Loans and advances to customers	9,024,439	9,024,855	
4	Derivatives	89	89	
5	Investment assets	784,650	793,844	(i)
6	Life insurance assets	1,006,583		
7	Investments in associates and joint ventures	119	119	
8	Property, plant and equipment	39,093	38,839	
9	Intangible assets	27,690	24,748	(e)
10	Tax assets	20,063	20,230	
	ow: deferred tax assets	18,390	19,771	(g)
11	Other assets	94,362	99,709	
12	Demerged assets from Savings Banks Group	1,369,986	1,369,986	(i) (e) (g)
13	Total assets	13,779,568	12,784,882	
Liabilities – *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Financial liabilities at fair value through profit or loss	18,107		
2	Liabilities to credit institutions	450,946	450,946	
3	Liabilities to customers	6,994,366	6,999,897	
4	Derivatives	263,422	263,422	
5	Debt securities issued	2,756,666	2,756,666	
6	Life insurance liabilities	950,931		
7	Subordinated liabilities	2,142	2,058	
	ow which: Tier 2 elligible subordinated liabilities	28	28	(h)
8	Tax liabilities	66,454	64,321	
9	Provisions and other liabilities	129,627	129,480	
10	Demerged liabilities from Savings Banks Group	969,816	969,816	
11	Total liabilities	12,602,478	11,636,606	
Shareholders' Equity				
1	Basic capital	25,224	25,342	(a)
2	Primary capital	31,452	31,452	(b)
3	Reserves	204,110	197,146	(c)
	ow which: cash flow hedges	-51	-51	(f)
4	Retained earnings	914,940	892,924	(d)
5	Non-controlling interests	1,365	1,412	
6	Total shareholders' equity	1,177,090	1,148,276	

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

TABLE EU CCA: MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS

31.12.2022		Own funds instruments			
		Share capital	**Basic fund**	**Debentures which meet requirements of own funds and eligible liabilities (maturity >1 year)**	
1	Issuer	Member Savings Banks	Member Savings Banks	Nooa Säästöpankki Oy	Myrskylän Säästöpankki
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	FI4000282975	FI4000288394
2a	Public or private placement	Private	Private	Private	Private
3	Governing law(s) of the instrument	Legislation of Finland	Legislation of Finland	Legislation of Finland	Legislation of Finland
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	N/A	Yes	Yes
	Regulatory treatment				
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (Sub-) Consolidated	Solo and (Sub-) Consolidated	Solo and (Sub-) Consolidated	Solo and (Sub-) Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share	Basic fund share	Liability 63 art.	Liability 63 art.
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	25,303	31,452	Regulatory own funds: 0,04	Regulatory own funds: 0,024
9	Nominal amount of instrument	N/A	31,452	0,665	1,393
EU-9a	Issue price	N/A	100%	100,00%	100,00%
EU-9b	Redemption price	N/A	100%	100%	100%
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – amortised cost	Liability – amortised cost
11	Original date of issuance	Share capital of every Savings bank in form of limited liability company has individual date of issuance	Every basic fund emission has individual date of issuance	11.10.2017	1.11.2017

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

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

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

TABLE EU PV1 – PRUDENT VALUATION ADJUSTMENTS (PVA)

		a	b	c	d	e	EU e1	EU e2	f	g	h
31.12.2022 (EUR 1,000)		**Risk category**					**Category level AVA – Valuation uncertainty**		**Total category level post-diversification**		
Category level AVA		**Equity**	**Interest Rates**	**Foreign ex-change**	**Credit**	**Commod-ities**	**Unearned credit spreads AVA**	**Investment and funding costs AVA**		**Of which: Total core approach in the trading book**	**Of which: Total core approach in the banking book**
12	Total Additional Valuation Adjustments (AVAs)								**1269**		

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

9. FULFILMENT OF THE DISCLOSURE REQUIREMENTS

SAVINGS BANKS AMALGAMATION PILLAR 3 DISCLOSURE

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

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

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

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

Savings Bank

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